CITY OF HIGHLAND VILLAGE

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2021

CITY OF
HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021

Prepared by:

The Finance Department

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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INTRODUCTORY SECTION

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FINANCE
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www.highlandvillage.org

March 21, 2022

Honorable Mayor, City Council
City of Highland Village
Highland Village, Texas

The Finance Department of the City of Highland Village is pleased to submit the Annual Comprehensive Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2021.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2021. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport. The City is primarily residential.

The City's estimated 2021 population is 16,504, just a 9% increase over the past 10 years. Years of sustained growth in population in previous years has brought the City closer to build-out, evidenced

by the reduced number of single-family residential permits now being issued. The City is currently approximately 96% built out, with approximately 186 single-family residential homes remaining to be built in platted and unplatted parcels. The estimated build out date is 2030. Over the last five years, the City has averaged 42 single-family residential permits annually. The average assessed value for existing single-family dwellings on the 2020 Tax Roll was $406,832.

The City of Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and six other members, all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All council members are elected for two-year terms.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational facilities and cultural events. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for a legally separate component unit – the Highland Village Community Development Corporation, which is reported as a blended component unit within the City of Highland Village's financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget by no later than September 30th – the close of the fiscal year. This annual budget serves as the foundation for the City of Highland Village's financial planning and control. The budget is prepared by fund, category (personnel, services/supplies, capital) and department (e.g., police, fire, human resources). Departments may reallocate resources within a category, but reallocation between categories or departments requires council approval.

Local Economy

Despite continuing disruption as the economy works through ramifications of the pandemic, the North Texas economy has displayed resiliency with a strong housing market as well as robust retail sales. The Texas housing market, despite a depleted inventory had significant demand, driving up values. As the virus is more contained, North Texas as a whole is expected to rebound in job creation, however experiencing unprecedented worker shortages. However, a number of corporate relocations to this area should allow for the housing market to continue its steady growth, although potentially constrained by limited housing inventory. The close proximity of the Dallas-Fort Worth International Airport and both cities of Dallas and Fort Worth enhance increasing residential development. There were 57 single-family permits issued during fiscal year 2020/2021, compared to a five-year annual average of 42. In addition, there were 5,684 water connections, with 5,332 being the total residential. Since the City's residential tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

There were 15 commercial permits issued during the year. Increased commercial development has certainly enhanced the business and economic outlook for the City. Over the past twenty years, the City has realized gradual economic development, beginning with the completion in 1995 of the 80,000 square foot Highland Village Town Center shopping complex. Phase II of this development was completed in October 1997. Kroger's grocery chain has been the anchor commercial development in the Town Center complex, however closing in FY 2016. The space has now been occupied by Painted Tree. Valley Ridge Center, a professional office complex on FM 407 was also added in 1997. A new bank, United Community Bank, opened for business in 1998 with a temporary building - a permanent bank building was completed in 1999. A merger with Independent Bank in 2012 further solidified the bank and now serves as the City's depository.

In January 1999, the City Council initiated implementation of an overlay ordinance for nonresidential development. This change was enacted to create a unique look for Highland Village by requiring a residential look to nonresidential uses. This effort was seen as an economic development issue to ensure quality future development. The completion of Village Parkway in 1998 in the western part of the City provides additional economic stimulus for the City - particularly now that TXDOT has constructed a segment that extends this roadway to Denton as an extension of FM 2499, providing an alternate route to DFW Airport. And this, in turn, greatly enhances the commercial value of the developments at the FM 407 and FM 2499 intersection with the resulting increase in traffic.

Village Creek Center, started in the mid 1980's, added three new buildings in 1999 to complete their site plan. This center includes restaurant facilities and professional office space. In 2000, a two-building professional office development was completed and fully leased, with plans to expand by another building. Also in 2000, Tartan Village Retail Center opened with 6,000 square feet of retail space and Barnett Center constructed a childcare facility. The Barnett Center added an animal hospital in 2002 and a 56,000 square foot assisted living facility was added in 2003, with a 35,000 square foot extensive care addition completed the following year.

Celebrations, a 12,000 square foot banquet hall, was completed in 2003, updated in 2015 with new owners with addition of a chapel – transforming the facility to a wedding / reception facility. A 17,000 square foot retail center, Tartan Square, was added in 2004. Highland Village Business Park was completed, with two office / professional buildings totaling 16,000 square feet, in early 2005.

With limited remaining undeveloped commercial property in Highland Village – primarily located along FM 407 and FM 2499, the City focused on the remaining undeveloped property to ensure compatible, high-quality development. An additional overlay district was developed for this area to apply standards that will assure the highest and best use, with the potential for increased sales tax revenues while continuing to maintain the high quality of life in Highland Village.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Barnes & Noble and an AMC Theater anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development.

Just east of the Marketplace, The District of Highland Village, initially approved by Highland Village City Council in March 2007, was planned as a "Main Street" center with retail and residential townhomes. Construction of the first phase was completed, but additional construction stalled due to the economic downturn. A redesigned plan was presented to City Council in FY 2011, but denied – prompting a lawsuit by the property owner based on the City's denial of the rezoning request. During the ensuing year, the City and its legal counsel thoroughly defended against the claims made in the lawsuit. City officials and staff worked diligently with the property owners to settle

their dispute, resulting in approval by City Council in November 2012 of a new development plan to provide open air plazas for a mixed-use development of residential lofts, retail, and office professional facilities, offering a unique and desirable high-end loft living lifestyle currently not available in Highland Village and adjacent cities. Construction initiated in 2014 and now entails nineteen buildings of residential and retail totaling over 320,000 square feet.

The City is primarily a residential community with a relatively small commercial base. New residential construction has slowed from previous years, with substantial residential build-out expected in the near future. Roughly 243 potential lots remain, most of these associated with several developments in the western portion of the city, providing very modest residential building activity. In particular, Ladera, a retirement community development of 102 units, initiated construction in FY 2018, with with only 12 permits remaining. In addition, David Weekley Homes purchased property from the Lewisville Independent School District previously targeted for a school site, also in the western section of the city with construction underway for 72 homes anticipated over the next three years.

As the City approaches build-out, there is intent of facilitating full potential of limited remaining undeveloped parcels. Accordingly, the City solicited proposals from planning firms to accomplish an update to the City's comprehensive plan. This is a budgeted item for FY 2022.

There are shopping areas with major retail department stores, variety stores and chain stores located in the general vicinity of Highland Village. Wholesale firms, distributing automobile parts and supplies, electronics, lumber, meats, plumbing fixtures, petroleum products and boat distributors are also located in the general vicinity. A plentiful supply of skilled labor is available to industry in the Highland Village area. Denton County reflected an unemployment rate of 3.9% as of September 2020, this year inflated resulting from the pandemic.

Long Term Financial Planning

Economic Development, specifically retail development, has been a primary objective and continues to be desired, however with limited remaining real estate in the city. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. This is especially pertinent as the City nears substantial residential build-out, and accompanying declining growth in assessed valuation. A stated focus of Council has been to maintain the current tax rate. Above-average increases in assessed valuation the last several years has provided an opportunity to consider a tax rate reduction. However, with declining growth in new valuation added to the tax roll, coupled with proposed State Legislation to implement revenue caps, we have opted to maintain the existing tax rate for now, as this environment provides a challenge to maintain the high level of services provided for in this community. A continued primary focus over the next few years is to maintain current staffing levels through residential build-out and seek efficiencies where possible, without compromising the City's excellent level of service.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands through build-out. Highland Village has contracted with the Upper Trinity Regional Water District (UTRWD) to take three million gallons of water per day (MGD). This water supply supplements the City's four productive water wells. A utility rate structure was updated to provide a 70/30 mix of surface water and ground water respectively. Additionally, the utility rate structure was revamped to provide for a substantially higher amount collected at the base level rather than the previous method of relying on higher summer usage with tiered rates. This will provide a more consistent revenue stream that is less dependent on weather patterns and fairer method of distributing costs to residents.

To meet the City's wastewater needs, a long-term solution was finalized in June, 1995, with 1.8 million gallons per day treatment contract with the Upper Trinity Regional Water District's Lakeview Wastewater Reclamation Project, which provided for a participatory contract to meet the City's build out wastewater effluent needs. In the initial stage of this contract, developer contributions (Impact Fees) have paid the bulk of the annual commitments with the existing ratepayers paying a minimal portion of the contract cost. The City's current capacity is at 1.65 MGD, but the City may reinstate the 1.8 MGD capacity at a future date, if needed. The subscribed capacities for both water and sewer are generally expected to be sufficient through build-out.

A municipal drainage utility was formed at the end of FY 2006 to fund a storm water quality program and related drainage projects necessitated by Phase II MS 4 Storm Water Regulations – administered by the Texas Commission on Environmental Quality (TCEQ). A rate of $1.20 per 1,000 square feet of impervious cover was established to fund this program – unchanged until FY 2015 when adjusted to $1.40. The monthly average for most City residents is roughly $5.00. The utility has a staff of five positions and has procured needed equipment. The utility has achieved great success, already completing a number of needed drainage projects - also achieving substantial cost savings by averting contracting of these projects. In FY 2013, an aggressive mosquito abatement program was developed to address the significant increase in West Nile Virus, and is ongoing.

The City continues to address park programs to meet the changing needs of the community. The governing body adopted an ordinance in 1991 to establish Park Development Fees to be paid by the development community. These fees are dedicated to Park Development. This ordinance was revised in 1997 to collect fees for three components – community park, inland trail system, and neighborhood parks. Phase I of the development of Unity Park was completed and was utilized in full for athletic activity in early 1996. In September 1996, $1,850,000 in General Obligation Bonds was issued to complete Phase II of Community Park and provide improvements to other City parks. Phase II of the Park, completed in April 1997, includes lighting, restrooms and concessions. Additional parking and restroom enhancements were added in 2012 funded by a certificate of obligation. An inter-local agreement with the Lewisville Independent School District allows the City and Briarhill Middle School (adjacent to Unity Park) to share common facilities. Completion of Village Park in 2005 provided a neighborhood park in the western quadrant of the City.

An additional primary focus of the City has been the establishment of a comprehensive trail system throughout the City. The initial spine (9.83 miles) of the trail system was initiated with securing a $1 million TEA-21 grant. This was completed in 2006 with a cost of $1.7M. Voters approved a ½ cent 4B sales tax in November 2004 – specifically targeted for trail development and a soccer complex. Future development of the trail system is to be primarily funded by the 4B sales tax. A $3M bond issue in 2008 provided funding for the next section – with another $3.8M bond issuance in FY 2009 to further expand the trail system in the City. A continuous trail segment now spans the length of the entire City. Ultimately, 28 miles of trails are envisioned in the Trail Master Plan.

The Doubletree Ranch property, 36 acres in the eastern portion of the City, was purchased in 2009 with funds from a certificate of obligation – with the associated annual debt service to be reimbursed to the City with 4B revenues. In FY 2014 a $6.7M Certificate of Obligation was issued to supplement remediation funds of $2.8M previously received from TxDOT associated with the loss of Copperas Branch Park resulting from the expansion of I-35 - to be redirected to Doubletree Ranch Park, to fund park construction. Accordingly, construction commenced in FY 2014. The Park substantially opened in August 2016, providing open space, trails, and soccer fields, in a pristine setting. In addition, a splash pad, concession barn and pavilion are heavily utilized.

Lakeside Community Park was completed in 2015, also utilizing 4B revenues. This park – with water front access to Lake Lewisville, includes a quarter-mile loop trail, two pavilions, all with fantastic lake views. A number of recreation programs are offered in the City. In particular, baseball and soccer associations have experienced consistent participation, and have remained quite successful.

The City's commitment to parks was buttressed with a 2018 $7.1 M bond issuance following voter approval in 2017. This issuance targeted parks projects of $4.1M and street projects totaling $2.8M. A significant portion of the park initiatives were improvements to Unity Park, highlighted by a new softball field and rebuild of Kids Kastle playground. This playground was originally constructed in the 1990's as a community build project. Following a fire in the 2000's, it was rebuilt again as a community project. With the play area at the end of its useful life, it was replaced in FY 2020 and enhanced as an all-inclusive playground. This amenity is a tremendous source of pride for the community.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the submitted 2020 Annual Comprehensive Financial Report (ACFR).
- Received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2021 Budget.
- In compliance with the Texas Public Information Act, implemented a new online system to process public information requests that standardizes the internal processing of requests and provides records to requestors in a more timely and efficient manner.
- Proactively responded to 671 requests from the public for City records.
- Successfully completed the initial phase for implementing records storage standards for the care of permanent paper records in the Community Services Division.
- Explored enhancements to the employee benefits and wellness programs. Determined employees and their families needed better mental health support, and funding was approved for FY 21-22.
- Worked with the Police Department to test and contract for new body cameras and worked on video storage retention schedules.
- Enhanced and expanded the city-wide cyber security testing program and training for all employees.
- Upgraded the City's financial database and application servers.
- Worked with a third party to integrate the Fleet Maintenance Division into CityWorks and created a custom app for all facility maintenance requests.
- Installed second internet connection to provide failover and redundancy.
- Created a GIS web portal for new apps, and data to be delivered directly to the public.
- Upgraded and enhanced the remote access process that allows employees to access their work machines more securely.
- In September 2020 we transitioned from a quarterly printed newsletter to the monthly email newsletter. We continue to see growth in the subscriber database, with an increase from

3,856 to 4,357. The open rate averages 40%, which is outstanding given the industry average for Civic Organizations is 20%.

- Improved communication through the use of the newsletter database to reach residents during emergency events (February weather incident), inform of upcoming events (Celebrate Highland Village), and targeted trash pickup information (February weather and the aftermath).
- Improved and encouraged dialogue on City social media channels with Marketing & Communication posting and managing the City Facebook, Parks and Recreation Facebook and Instagram, Doubletree Ranch Park Facebook, and Experience Highland Village Facebook and Instagram which has resulted in increased engagement, follows, and improved response times to citizen inquiries.
- Worked with all departments and City Communication Team to re-design the City website for a better user experience with easier access to information across all communication platforms. A survey ran from November to May to determine what changes the community desired, staff reviewed other website, current site statistics, and cleaned out old documents and links. The redesigned site was launched at the beginning of December 2021.
- Raised awareness and helped promote customer connection to Highland Village business through the Experience Highland Village Facebook and Instagram accounts with increased use of Stories, posts, images, and video.
- Online Citizen Crime Reporting System – An Online Citizen Crime Reporting System is fully operational and allows residents to report minor crimes or incidents through a police web portal. The system was used by citizens 126 times during the fiscal year.
- Vacation Watch / Close Patrol Portal – A new Vacation Watch / Close Patrol Request web portal was established to allow residents to direct entry their specific request. 8,895 checks were made using the system during the fiscal year.
- Automatic Vehicle Location (AVL) System – An enhanced AVL system was deployed in the police department to identify patrol vehicles closest to calls for service and provide situational awareness. The system tracks police vehicles in real time and provides detailed reporting histories on location, speed, excessive acceleration, harsh turning and braking, zone in/out, etc.
- Police Vehicle 911 Monitoring System – All police patrol vehicles are now equipped with the ability to listen in to live 911 calls, or to playback recordings. This system provides unfiltered information from the 911 caller to the responding officers in the field.
- Animal Care Ordinance Update - A complete review and update to our Animal Care Ordinances was completed, approved by the City Attorney and adopted by City Council. These updates brings our ordinances up to date and better meets the needs of the city.
- Brigade Analytics Performance Dashboard – This system was implemented this year and provides important performance metrics for both police and fire. These include response time analysis, personnel activity, discretionary time analysis and other custom metrics.
- Flock ALPR Security Camera Systems at City Parks – Five Specialized license plate reader cameras are now operational at Unity Park (2), Copperas Branch, Double Tree Ranch and Pilot Knoll Park. The systems provide police alerts on vehicles reported stolen, sex offenders, wanted persons, Homeland Security intelligence and after hours entry.
- Completed the final stages and submittals to gain Best Practices Recognition from the Texas Fire Chiefs Association
- Completed the Outdoor Warning Siren relocation and pole replacement project
- Completed the Stryker Emergency Medical Equipment replacement project
- Implemented a new EMS supply inventory management and ordering system

- Participated in the TIFMAS deployment to assist Cal-Fire fight the wildfires in Northern California
- Collaborated with the City of Lewisville and Town of Flower Mound to partner together to build a joint fire training facility
- Worked collaboratively with other departments to help navigate the SARS-CoV-2 Pandemic
- Hosted 10 Vaccination Clinics vaccinating more than 1000 people
- Participated in the Denton County Mass Vaccination Hub
- Don Strange, Manager of Streets / Code Enforcement, graduated from Front Range College with an AAS in Highway Maintenance Management in spring of 2021.
- We revised the National Highway Institute (NHI) Street Department Certification program in order to take advantage of new training opportunities. Two street staff members attended the NHI Maintenance Leadership Academy which translate to 4 college credits (on Scholarships).
- Updated all school zone flasher locations.
- Maintained the water and wastewater systems per TCEQ mandates and maintained the Outstanding Drinking Water System Award from TCEQ.
- Maintained the Superior Water System rating awarded to Utility Operations through TCEQ.
- Installed over 500 meters as new installs or not reporting to the AMA system.
- Replaced three lift station pumps and four potable water high service pumps.
- Completed the Unity Elevated and Highland Shores Ground Storage Tank Painting Projects.
- Performed the Inflow and Infiltration (I&I) in the eastern portion of the City and identified issues in the sanitary sewer system.
- Excavated and repaired 38 water main breaks, service line leaks, and sanitary sewer line breaks.
- Responded to the spring flooding events and maintained all infrastructure with no failures or wastewater overflows.

Parks Completed Projects

Unity Park

- Kids Kastle rebuild
- Replacement of the sports turf on Gray Field

Doubletree Ranch

- Grand lawn turf remediation
- Major component repairs to the pond makeup water transfer pump
- Replaced damaged plant material due to Uri winter storm

Pilot Knoll

- Completed Cabin Feasibility Study
- ADA inspections of all U.S. Army Corps of Engineers owned parks and made necessary repairs to MEP systems

Copperas Branch

- Installed electrical and site improvements for Celebrate Highland Village Event
- Plumbing repairs at the gatehouse
- Design for the boat ramp to allow the ramp to stay open +-526' elevation
- Victoria Park walking path is completed
- Trail extension from Brazos Park to Medina Dr is completed
- Sunset Point Park renovation
- Parks Maintenance staff accomplished 100% matching labor hours with work order hours

Relevant financial policies

The City's financial policies address accounting and fiscal operations of the City with emphasis on asset management, operating reserves and fund balances. The City has established policies to maintain a fund balance equivalent to at least 20% of General Fund expenditures. Accordingly, fund balance levels have remained above this level. Ending fund balance was 47% in FY 2017, 44% in FY 2018, 36% in FY 2019, 45% in FY 2020, and 46% in FY 2021. Financial policies provide for one-time or non-recurring revenues not being used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Fund balance levels are currently higher than anticipated to be necessary on an on-going basis. Financial policies call for the City to maintain a fund balance within a range of 20% -25%. A gradual plan is intended to reduce fund balance levels to this range – specifically by funding capital items with excess reserves. A continuing priority is to ensure sufficient revenues are available for the level of operating expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its annual comprehensive financial report for the fiscal year ended September 30, 2020. This was the twenty-seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

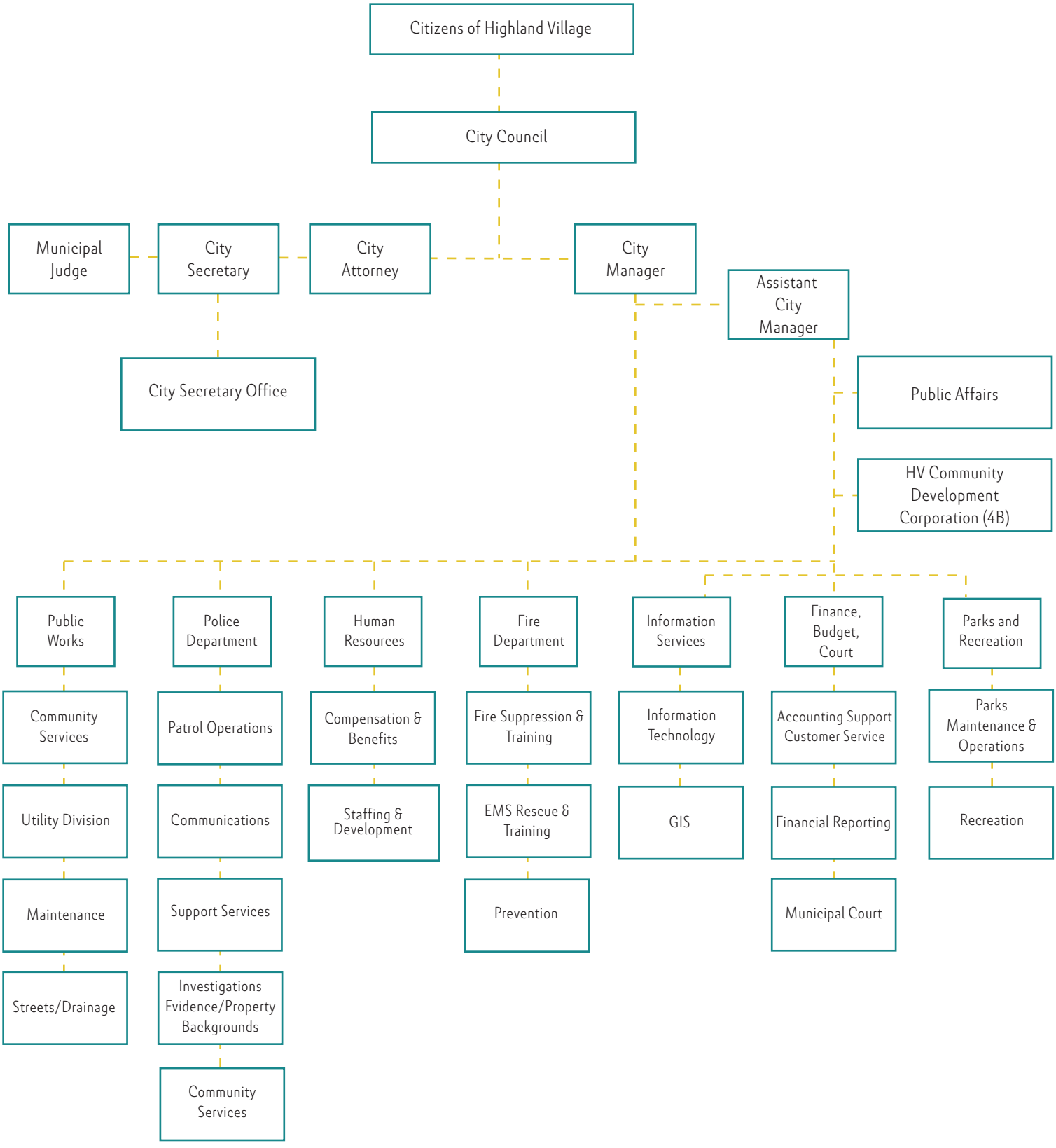
In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2020– the City's fourteenth consecutive receipt of this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Thanks especially to Heather Miller for her hard work toward the completion of this document and continued commitment to excellence in accounting standards. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Highland Village, preparation of this report would not have been possible.

Sincerely,

Ken Heerman
Assistant City Manager



City of Highland Village, Texas
Organizational Chart
Fiscal Year 2020 - 2021

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2021

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Charlotte Wilcox, Mayor	Place 1	05/2022
Jon Kixmiller	Place 2	05/2022
Mike Lombardo, Mayor Pro Tem	Place 3	05/2023
Barbara Fleming, Deputy Mayor Pro Tem	Place 4	05/2022
Tom Heslep	Place 5	05/2023
Robert Fiester	Place 6	05/2022
Daniel Jaworski	Place 7	05/2023

ADMINISTRATIVE

Paul Stevens	City Manager
Angela Miller	City Secretary
Ken Heerman	Assistant City Manager
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
Michael Thomson	Fire Chief
Jana Onstead	Human Resources Director
Phil Lozano	Director of Parks and Recreation
Sunny Lindsey	Information Services Director
Laurie Mullens	Director of Communications and Marketing

Prepared by:
City's Finance Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Highland Village, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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AICPA GAQC Member

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Highland Village Texas' fiscal year 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Village, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital asset schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of the City of Highland Village, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the City's effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Highland Village, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 21, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $55,964,141. Of this amount, $5,958,531 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position increased by $1,492,682. A $1,076,428 increase in net position related to governmental activities and an increase of $416,254 in net position in business-type activities.

- As of September 30, 2021, the City of Highland Village's governmental funds reported combined ending fund balances of $12,432,925 a decrease of $5,593 in comparison with the prior year. Approximately 50 percent of this total amount, $6,177,286, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $6,177,286, or 34 percent of total General Fund expenditures.

- The City of Highland Village's total debt decreased by $3,165,000 during the current fiscal year. This is attributed to scheduled debt payments for the governmental activities and business-type activities of $2,250,000 and $915,000, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Highland Village's basic financial statements. The City of Highland Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Highland Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highland Village is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

> **Governmental activities**. Most of the City's basic services are reported here, including the police, fire, community development, public works, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
>
> **Business-type activities**. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and drainage utilities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Highland Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The City of Highland Village maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $55,964,141 as of September 30, 2021. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $45,748,088 and business-type activities' net position was $10,216,053. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 14,128,323	$ 14,036,845	$ 8,954,143	$ 7,861,947	$ 23,082,466	$ 21,898,792
Capital assets	58,375,544	59,840,351	15,087,162	14,937,997	73,462,706	74,778,348
Total assets	72,503,867	73,877,196	24,041,305	22,799,944	96,545,172	96,677,140
Deferred outflows of resources	1,398,151	1,503,654	189,970	218,467	1,588,121	1,722,121
Long-term liabilities	22,163,683	24,861,546	9,823,426	10,817,141	31,987,109	35,678,687
Other liabilities	4,697,754	4,528,661	4,026,725	2,208,652	8,724,479	6,737,313
Total liabilities	26,861,437	29,390,207	13,850,151	13,025,793	40,711,588	42,416,000
Deferred inflows of resources	1,292,493	1,318,983	165,071	192,819	1,457,564	1,511,802
Net position:						
Net investment in capital assets	40,488,662	40,526,620	7,252,431	6,637,826	47,741,093	47,164,446
Restricted	1,057,266	723,473	1,207,251	1,075,324	2,264,517	1,798,797
Unrestricted	4,202,160	3,421,567	1,756,371	2,086,649	5,958,531	5,508,216
Total net position	$ 45,748,088	$ 44,671,660	$ 10,216,053	$ 9,799,799	$ 55,964,141	$ 54,471,459

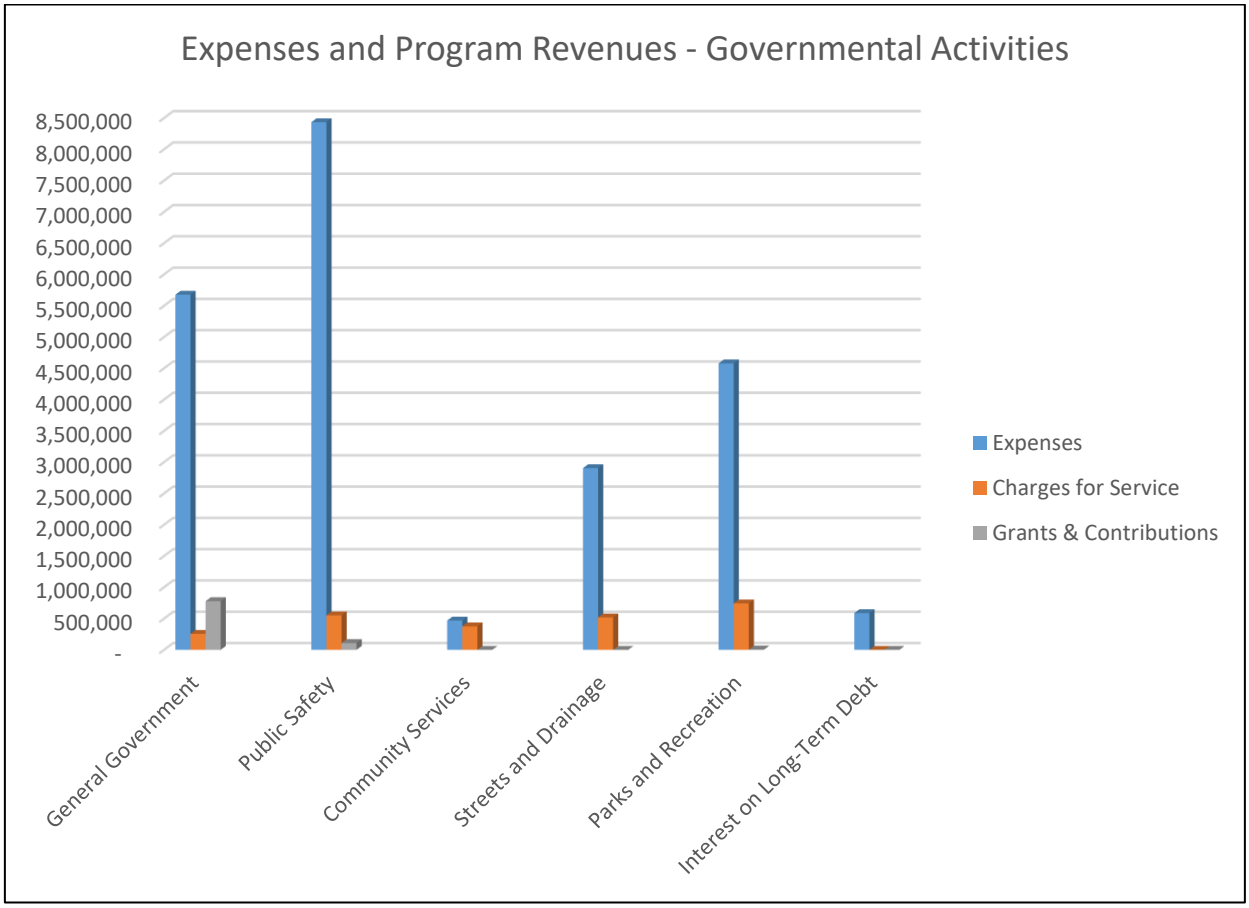
The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2021. Governmental activities increased the City's net position by $1,076,428 and business-type activities increased the City's net position by $416,254, resulting in a net $1,492,682 increase in total net position.

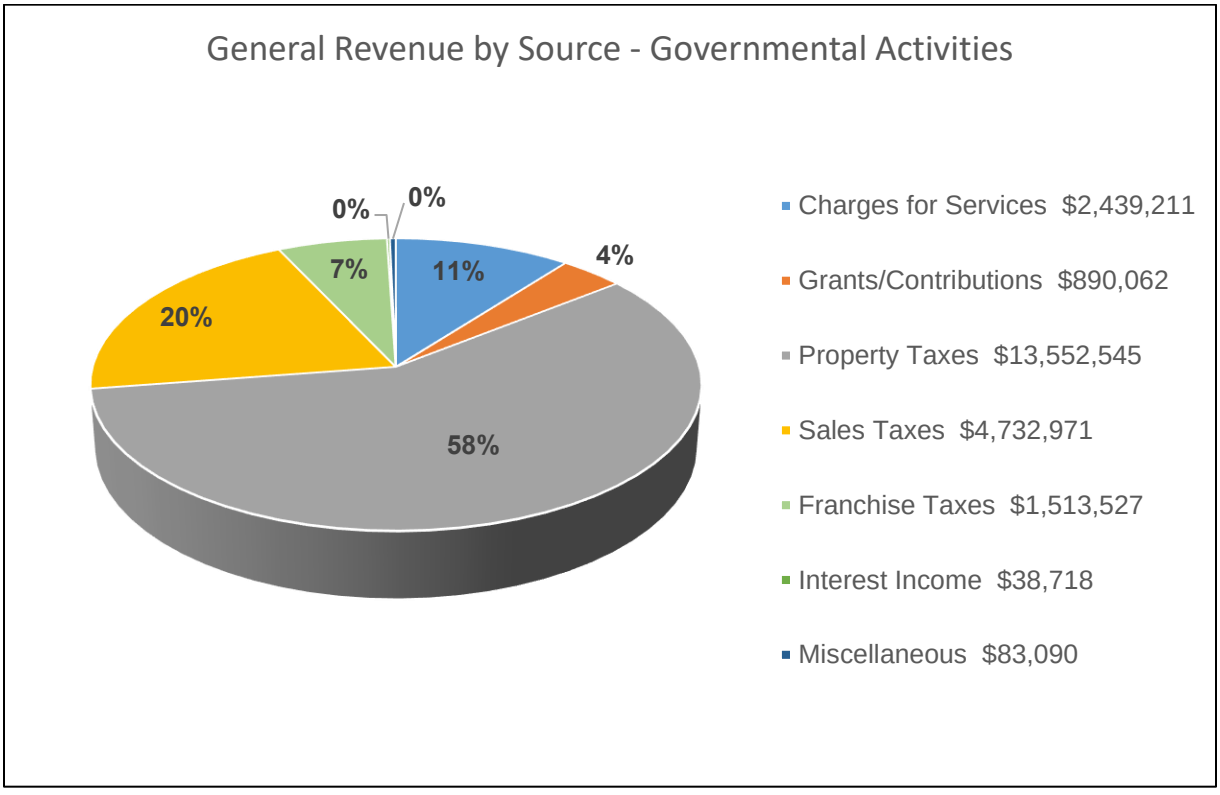
TABLE 2

CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	2,439,211	2,582,225	9,552,361	9,439,260	11,991,572	12,021,485
Operating grants and contributions	113,234	959,705	-	-	113,234	959,705
Capital grants and contributions	776,828	141,007	1,199,342	164,859	1,976,170	305,866
General revenues:		-				
Property taxes	13,552,545	13,332,678		-	13,552,545	13,332,678
Sales taxes	4,732,971	4,258,100		-	4,732,971	4,258,100
Franchise fees	1,513,527	1,522,345		-	1,513,527	1,522,345
Interest income	38,718	205,714	15,064	63,203	53,782	268,917
Gain on sale of asset	-	-	-	-	-	-
Miscellaneous	83,090	303,001		-	83,090	303,001
Total revenues	23,250,124	23,304,775	10,766,767	9,667,322	34,016,891	32,972,097
Expenses:						
General government	5,532,530	5,312,238	-	-	5,532,530	5,312,238
Public safety	8,432,376	8,772,628	-	-	8,432,376	8,772,628
Community services	467,764	498,662	-	-	467,764	498,662
Streets and drainage	3,046,868	2,857,021	-	-	3,046,868	2,857,021
Parks and recreation	4,577,551	4,939,557	-	-	4,577,551	4,939,557
Interest on long-term debt	586,607	641,904	-	-	586,607	641,904
Water and wastewater		-	9,880,513	9,247,141	9,880,513	9,247,141
Total expenses	22,643,696	23,022,010	9,880,513	9,247,141	32,524,209	32,269,151
Increases in net position before transfers	606,428	282,765	886,254	420,181	1,492,682	702,946
Transfers	470,000	470,000	(470,000)	(470,000)	-	-
Change in net position	1,076,428	752,765	416,254	(49,819)	1,492,682	702,946
Net position, ending	44,671,660	43,918,895	9,799,799	9,849,618	54,471,459	53,768,513
Net position, ending	$ 45,748,088	$ 44,671,660	$ 10,216,053	$ 9,799,799	$ 55,964,141	$ 54,471,459

Governmental activities. The City's expenses for governmental activities are detailed below – with associated program revenues.





Net position associated with governmental activities increased $1,076,528 in FY 2021 – this compared to a $752,765 increase in net position in FY 2020.

- FY 2021 revenues decreased $54,651 from the previous year. Key elements of this increase is as follows:

    - Charges for services decreased $143,014, primarily reflective of park fees received in FY 2020 for a new development, The Reserve at Chapel Hill – with no new developments coming online in FY 2021.
    - Operating grants and contributions reflected a decrease of $846,471 relative to the receipt of CARES ACT funding of $909,535 in FY 2020.
    - Capital grants and contributions increased $635,821 related to infrastructure donated to the City with approval of the Reserve at Chapel Hill subdivision.
    - Property taxes increased by $219,867 during the year. Most of this increase is the product of a 1.9% increase in the taxable assessed value of the property.
    - Sales tax revenue increased by $474,871. Collected sales tax were increased 11% from the prior year. FY 2020 had a slight decrease, affected by shutdowns associated with the COVID19 pandemic.
    - Investment earnings decreased by $166,996, resulting from lower yields.
    - Miscellaneous revenue decreased by $219,911 largely resulting from a supplemental insurance settlement payment related to roof replacements damaged from a previous hailstorm that was received in FY 2020.

- FY 2021 expenses decreased $378,314 from FY 2020, reflecting inflation and increased service demand. The total expense amount of $22,643,696 was less than total revenues – creating a $606,428 increase in net position before transfers. This compares to a $282,765 increase in FY 2020 net position.

    - General government expenses increased by $220,292. This increase is primarily attributed to roof replacements for Parks facilities totaling $376,031 in FY 2021.
    - Public safety expenses decreased $340,252 primarily due to the decrease in net pension liability and compensated absences liability which resulted in a reduction in personnel cost.
    - Streets and drainage expenses increased by $189,847 primarily due to a decrease in street maintenance expenses.
    - Parks and recreation expenses decreased by $362,006. This decrease is largely attributed to expenditures in FY 2020 for improvements to the Unity Park entry in conjunction with the reconstruction of Kids Kastle not repeated in FY 2021.

Business-type activities: Business-type activities reflected a $416,254 increase in the City's net position – this compared to a $49,819 decrease in net position in FY 2020. Overall, revenue exceeded expense and transfers.

- Charges for service increased $113,101 from last year's total of $9,439,260. Water sales slightly decreased from the previous year as a result of decreased consumption during summer months, offset by an increase in sewer sales from the previous year.

- Capital grants and contributions increased $1,034,483 largely resulting from increased water and sewer capital improvements contributed by the developer of the Reserve at Chapel Hill subdivision in FY 2021.

- Interest income decreased $48,139, reflective of lower yields.

- Expenses reflected an increase of $633,372 from last year largely related to increased maintenance costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $12,432,925 a decrease of $5,593 in comparison with the prior year. Approximately 50 percent of this total amount, or $6,177,286, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $3,495,442, committed - $668,496, assigned - $2,031,671, or non-spendable - $60,030.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $6,177,286, while total fund balance was $8,268,987. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34 percent of total General Fund expenditures, while total fund balance represents 46 percent of that same amount.

The original budget for FY 2021 reflected a $612,636 drawdown of fund balance, primarily to fund capital equipment purchases – while still providing for sufficient reserve balances. Revenues of $17,661,950 exceeded the budgeted amount by $24,718, and expenditures of $17,907,743 in FY 2021 were below the budgeted amount by $1,441,119. These variances comprised the majority of the increase in fund balance of $316,387. Key factors affecting fund balance are as follows:

- Total General Fund revenues of $17,661,950 were decreased from FY 2020 by $596,873.
    - Taxes reflected a $624,288 increase from FY 2020.
        - Property tax revenue increased $293,423 largely resulting from a 1.9% increase in assessed valuation.
        - Sales tax revenue increased $324,279.
        - Franchise fees slightly increased by $6,586.
    - Intergovernmental decreased $921,936 resulting from receipt of CARES ACT grants in FY 2020.
    - Licenses, permits and fees increased $59,031 reflecting modest increase in building permits issued in FY 2021.
    - Investment earnings decreased $112,897 resulting from decreased yields.
    - Charges for Services revenues experienced a $12,551 decrease, primarily reflective of decreased collections from ambulance service fees.
    - Miscellaneous decreased $220,911, resulting primarily from a received insurance settlement in FY 2020.
- Total General Fund expenditures of $17,907,743 represent an increase of $342,699 from the previous year. The FY 2021 actual expenditures were $1,441,119 below the original budgeted amount.
    - Personnel expenditures decreased by $114,286 from FY 2020. Salaries slightly increased by $8,331. Overall salary increases of 3% were largely offset by reductions from increased turnover. Benefit costs decreased by $122,617 largely related to lower expenditures for medical insurance coverage.
    - Services / Supplies expenditures increased by $563,249.
        - Roof replacement of parks buildings related to a prior hail storm totaling $376,031, as well as HVAC replacements of $101,671, comprised the bulk of the increase for the services/supplies category.
        - Recreation programming costs increased $43,364 from FY 2020.
        - Street Maintenance increased $87,585 partially related to delayed implementation of the FY 2020 street overlay program, with expenditures carrying over to FY 2021.
        - Professional services decreased $63,628 in FY 2021, largely reflective of several studies conducted in FY 2020 including a security assessment for City facilities and a fleet management review.
    - Capital Outlay expenditures decreased by $106,264 in FY 2021, largely due to expenditures in FY 2020 related to the Unity Park Kids Kastle plaza improvement project.

- Total Other Financing Sources (Uses) reflected a net total of $562,180 – a $41,296 decrease from FY 2020. Base elements of this total include transfers-in of $470,000, $28,000, and $16,000 respectively, from the Utility Fund, Highland Village Economic Development Corporation and Drainage Utility Fund for support functions provided by the General Fund, as well as a transfer-in of $20,155 from the Public Safety Fund related to collected Child Safety Fees. Also included were $61,549 related to reimbursement from the Texas Division of Emergency Management for provided public safety assistance. The funds were received in the Public Safety Fund, however transferred to the General Fund to offset personnel costs expended for the deployment. These transfers-in were partially offset by transfers to the Drainage Utility Fund of $36,000 for the City's drainage fees and capital equipment.

The Debt Service Fund has a total fund balance of $137,976, an increase of $11,740, all of which is restricted for the payment of debt service.

The Capital Projects Fund ended the year with a $2,384,916 fund balance, decreased $837,846 from FY 2020 related to capital expenditures for parks and streets projects identified in the $6.905M bond issuance in FY 2019.

Remaining governmental funds reported a combined ending fund balance of $1,641,046, reflecting an increase of $504,126.

- Revenues for these funds reflected an increase of $54,154 from the previous year. Sales tax collections in the Highland Village Community Development Fund increased $150,592. This was offset by a $161,327 decrease in Licenses, permits, and fees largely related to Park Development fees, as FY 2020 reflected collection of fees with a new development – The Reserve at Chapel Hill. Intergovernmental revenues increased $66,530, primarily comprised on a received reimbursement from the Texas Division of Emergency Management related to public safety assistance provided.

- Combined expenditures decreased $250,459. The decrease is largely related to decreased capital expenditures totaling $-154,350 across several funds (PEG Fee Fund - $-45,393, Drainage Fund - $-78,565, Highland Village Community Development Fund - $-30,392) as well as reduced Parks and recreation expenditures of $57,263 – largely in the Highland Village Community Development Fund. In addition, Drainage Fund expenditures decreased $31,284.

- Total Other Financing Sources (Uses) reflected a net total of $-896,662 – a net $30,757 decrease from FY 2020. This decrease is primarily reflective of a 63,828 transfer from the Public Safety Fund to the General Fund regarding collected reimbursement from the Texas Division of Emergency Management to offset related public safety personnel cost, offset by a reduction of $100,000 in the Drainage Utility reflecting transfers to for capital equipment of this amount in FY 2020.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position in the Enterprise Fund totaled $10,216,053 at the end of the fiscal year 2021, an increase of $416,254, or 4.2%. Included in net position is $1,207,251 restricted for capital projects and unrestricted net position of $1,756,371. The remaining net position balance of $7,252,431 consists of net investments in capital assets.

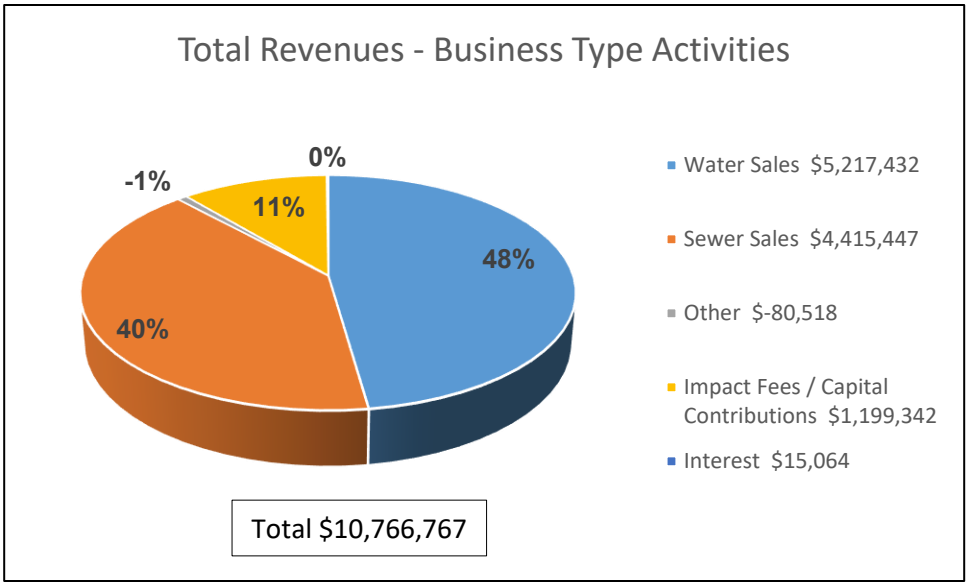
- Utility operating revenues of $9,552,361 reflected a modest increase of $113,101 or 1.2%, in FY 2021.

  - Water sales decreased $110,347.

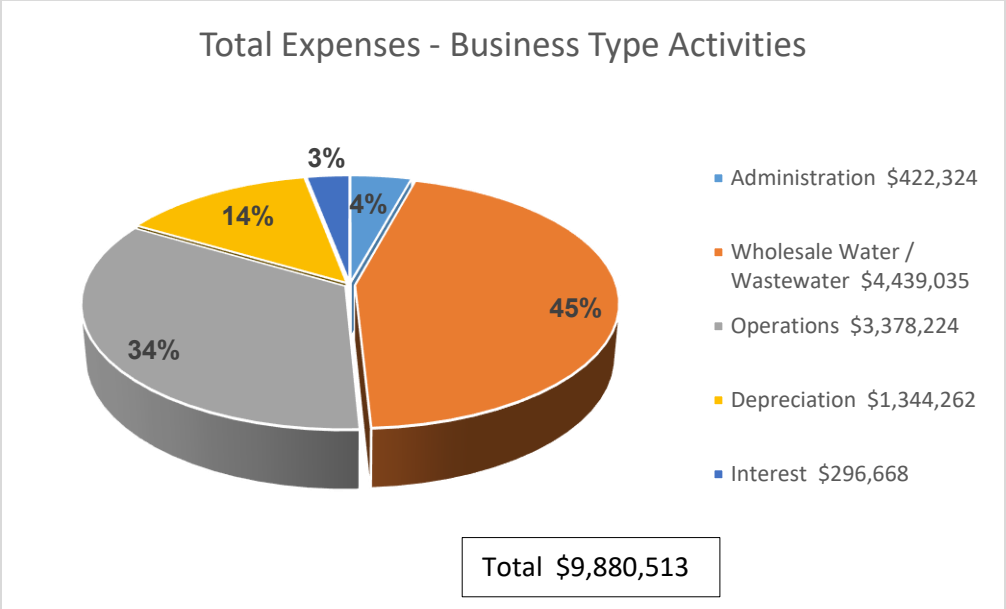
  - Sewer sales increased $157,682.

  - Permits increased $11,475

  - Fees increased $11,634



- Utility operating expenses of $9,583,845 increased $521,510, or 5.8%.
    - Administration expenses increased $55,881 in FY 2021.
    - Maintenance and Operations increased $441,720.
        - Wholesale water / sewer treatment cost increased $61,377.
        - Personnel expenses decreased $25,385.
        - Services and supplies increased $405,725. The primary component of this increase is a $459,282 water storage tank painting project in FY 2021. In addition, lift station maintenance increased $59,306 for pump replacements, while sewer line maintenance reflected a $43,825 decrease – increased in FY 2020 due to an emergency sewer line repair. Well lot maintenance also decreased by $24,398 in FY 2021, reflecting increased well repairs in FY 2020.
    - Depreciation increased in FY 2021 by $23,909.



GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2020-2021, the City Council of the City of Highland Village amended the budget for the General Fund on one occasion, resulting in an increase in budgeted expenditures of $601,000. The majority of these appropriations relate to actions taken to fund unbudgeted items during the fiscal year, including the acceptance of grants during the year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues provided sufficient reserves to recommend their increase. All budget amendments presented had either offsetting reductions or sufficient available fund balances reserves.

For fiscal year 2020-2021, actual expenditures on a budgetary basis were $17,907,743. This total was less than the original budgeted expenditures of $18,747,862 by $840,119, and $1,441,119 below the revised budget. The supplemental requests approved during the year are summarized following:

- Personnel expenditures increased by a total of $65,000 which consists of increases in Marketing ($15,000), Information Services ($45,000), Fire ($40,000), Community Services ($50,000), Maintenance ($15,000), and Parks ($20,000) Departments, offset by decreases in the Police ($-70,000), and Streets ($-50,000) Departments. These changes resulted from mid-year adjustments, personnel changes, insurance coverage elections, etc. In addition, the amendments addressed the reallocation of some items budgeted in a single department, such as incentive pay, with actual expenditures charged to the respective departments.
- Services and supplies expenditures increased in total by $330,000 which consists of the following amendments:
    - Finance – Increased $15,000 resulting from actual insurance premium exceeding the budget estimate.
    - Information Services – Decreased $45,000 resulting from a project put on hold.
    - Fire - Decreased $15,000 mostly related to decreased tools/supplies needed.
    - Parks – Increased $50,000 related supplies for Kids Kastle rebuild project.
    - Police – Increased $13,000 related to the purchase of data processing equipment and increased animal care supplies.
    - Community Services – Increased $3,000 associated with increased dues/memberships.
    - Streets – Increased $5,000 related to increased engineering costs.
    - Maintenance - Increased $400,000 related to anticipated security improvements to City facilities.

- Increased Capital Outlay in total by $110,000 which consists of the following amendment:
    - Streets – Increased $110,000 due to a dump truck purchase carried over from FY 2020.

Actual revenue on a budgetary basis was $17,661,950 compared to the original budget of $17,637,232, providing a positive variance of $24,718. Actual tax revenues were $329,336 more than the budget amount, primarily related to Sales Tax receipts. Licenses, permits and fees actual revenues were less than budgeted by $55,127. Investment earnings were $119,317 less than budgeted, reflective of lower yields. Fines / forfeitures were $34,534 below the budgeted amount resulting from reduced traffic citations issued.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2020, amounted to $73,462,706 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Project	Amount
Kids Kastle Community Build Playground	$ 995,059
Reserve at Chapel Hill – Street Improvements	704.599
Street Reconstruction Phase 2	608,831
Street Reconstruction Phase 3	577,112
Reserve at Chapel Hill – Sewer Improvements	560,440
Street Reconstruction Phase 1	520,011
Reserve at Chapel Hill – Water Improvements	354,729
Unity Park Pond Drainage Pipeline	288,223
2021 John Deere 410L	119,148
2021 John Deere 410L	119,148
2021 Freightliner M2 106 Dump Truck	93,686
HPE Nimble HF40 126TB Raw	77,380
2021 Ford F-250 Supercab	70,418
Toro Workman HDX – 2WD Kubota Diesel	49,677
2021 Ford F-150 Supercab	31,418

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	14,548,054	14,651,683	-	-	14,548,054	14,651,683
Buildings and improvements	5,063,994	5,570,842	717,943	789,864	5,781,937	6,360,706
Distribution system	-	-	12,872,218	13,067,316	12,872,218	13,067,316
Equipment and machinery	3,313,935	3,569,770	775,392	817,702	4,089,327	4,387,472
Infrastructure	16,875,450	15,193,420	7,989	8,605	16,883,439	15,202,025
Intagibles	73,908	142,127	-	-	73,908	142,127
Construction in progress	1,316,355	3,528,661	637,907	178,797	1,954,262	3,707,458
Total capital assets	$ 58,375,544	$ 59,840,351	$ 15,087,162	$ 14,937,997	$ 73,462,706	$ 74,778,348

Additional information on the City's capital assets can be found in Note E on pages 40-41 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $30,325,000. Of this amount, $22,430,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligations	$ 12,145,000	$ 13,590,000	$ 3,900,000	$ 4,520,000	$ 16,045,000	$ 18,110,000
Combination tax and revenue certificates of obligation	7,745,000	8,260,000	6,245,000	6,540,000	13,990,000	14,800,000
Tax notes	290,000	580,000	-	-	290,000	580,000
	$ 20,180,000	$ 22,430,000	$ 10,145,000	$ 11,060,000	$ 30,325,000	$ 33,490,000

The City's total debt decreased by $3,165,000 during the current fiscal year. A key factor in this decrease was the scheduled debt payments of $3,165,000.

The City's tax supported debt is rated "AAA" by Standards & Poor's. The current ratio of tax-supported debt to assessed value of all taxable property is 0.8 percent.

Additional information on the City's outstanding debt can be found in Note G and H on page 42-44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2021-2022 budget was adopted by ordinance on September 14, 2021. The following summarizes the significant factors that were considered in adopting the budget.

- General fund revenues are budgeted to increase by 6.6% over FY 2021 original budget with property taxes making up 65% of the general fund budgeted revenues. While there was not a proposed property tax rate increase, the property tax taxable values increased by 5.3%. The Council approved a tax rate of $0.56302 per $100 valuation, with $0.482635 apportioned to maintenance and operation expenses and $0.080385 apportioned to pay interest and principle maturities on outstanding debt. Sales tax represents 17% of the budget general fund revenues. Sales tax collections are expected to increase 15% over the FY 2021 budgeted amount.

- General fund expenditures are budgeted to increase by 9.9% over the FY 2021 original budget.

    - Personnel expenditures represent 68% of budgeted general fund expenditures. The proposed total increase in personnel is $532,274 or 3.9% over FY 2021. The majority of this increase, $307,141, is related to an overall 3% salary increase. Targeted Public Safety market adjustments comprised $86,369. Overtime increased $30,398, primarily in the Fire Department, resulting from a switch to a 48 hour shift schedule. Base salaries will experience a $66,764 reduction resulting from turnover of tenured employees. Health insurance is expected to increase by $145,064.

    - Supplies and services expenditures represent 29% of the budgeted general fund expenditures. Expenditures in this category are expected to increase by $1,219,282 or 25% from FY 2021. Professional Services will increase $453,938 – this largely comprised of two items: a one-time expenditure of $350,000 related to a Comprehensive Master Plan update and a new $65,000 lease program for Police body-worn cameras and taser replacements. Supplies and equipment provide for a $119,620 increase, stemming from anticipated increased fuel costs ($39,820 and Parks supplemental items totaling $61,000 related to tennis court resurfacing at Unity Park and FM 2499 median landscape replacement/irrigation repairs stemming from the 2021 winter freeze event. Additionally, there is a one-time expenditure for the City's pro-rata portion of funding to construct a regional joint fire training facility of $396,591.

    - Capital outlay expenditures represent 3% of the budgeted general fund expenditures. Capital expenditures are budgeted at $516,947 a $99,947 or 24% increase from the FY 2021 original budget. Capital base expenditures ($230,675) are $186,025 decreased from FY 2021, reflective of the transition to a lease program for City vehicles. Supplemental items ($286,272) are comprised of a backup network storage device ($120,000), adding an HVAC system to Doubletree Ranch Barn ($131,710), and replacement of the lightning warning systems at Unity and Brazos parks ($34,562).

- The water sales are budgeted at $5,303,200 representing a decrease of 6.4% from the budget for FY 2021. The decrease results from adjustment of projected usage to reflect a current reduced consumption trend. Wastewater sales are budgeted at $4,419,688, representing a slight increase from FY 2021.

- Water and wastewater expenses are budgeted at $8,398,123 representing a $3,055 or .04% decrease compared to FY 2021 budget.

Information on subsequent events is detailed in Note K on pages 50-51 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

BASIC
FINANCIAL STATEMENTS

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 12,545,343	$ 2,377,957	$ 14,923,300
Receivables (net of allowances for uncollectibles)			
Taxes	1,349,422	-	1,349,422
Accounts	128,158	1,778,334	1,906,492
Other	44,358	10,507	54,865
Due from other governments	1,012	-	1,012
Inventories and prepaid items	60,030	275,336	335,366
Restricted cash and investments:			
Reserved bond debt service	-	671,904	671,904
Capital improvements	-	2,518,504	2,518,504
Construction	-	1,207,251	1,207,251
Customer deposits	-	114,350	114,350
Capital assets:			
Nondepreciable	18,500,203	713,620	19,213,823
Depreciable, net	39,875,341	14,373,542	54,248,883
Total capital assets	58,375,544	15,087,162	73,462,706
Total assets	72,503,867	24,041,305	96,545,172
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	128,245	42,095	170,340
Deferred outflows related to pensions	1,155,864	134,595	1,290,459
Deferred outflows related to post employment benefits	114,042	13,280	127,322
Total deferred outflows of resources	1,398,151	189,970	1,588,121

The accompanying notes are an integral part of these financial statements.

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	923,025	651,052	1,574,077
Accrued liabilities	464,923	88,693	553,616
Retainage payable	-	18,020	18,020
Unearned revenue	96,853	2,065,048	2,161,901
Accrued interest	70,272	37,659	107,931
Customer deposits	-	114,350	114,350
Noncurrent liabilities:			
Due within one year:			
Long-term debt	3,135,328	1,051,271	4,186,599
Total OPEB liability	7,353	632	7,985
Due in more than one year:			
Long-term debt	18,393,419	9,384,174	27,777,593
Net pension liability	3,298,416	384,084	3,682,500
Total OPEB liability	471,848	55,168	527,016
Total liabilities	26,861,437	13,850,151	40,711,588
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	-	14,567	14,567
Deferred inflows related to pensions	1,267,671	147,614	1,415,285
Deferred inflows related to post employment benefits	24,822	2,890	27,712
Total deferred inflows of resources	1,292,493	165,071	1,457,564
NET POSITION			
Net investment in capital assets	40,488,662	7,252,431	47,741,093
Restricted for:			
Debt service	84,716	-	84,716
Community development	356,701	-	356,701
Public safety	97,342	-	97,342
Utility drainage	394,943	-	394,943
Public broadcasting	123,564	-	123,564
Capital projects	-	1,207,251	1,207,251
Unrestricted	4,202,160	1,756,371	5,958,531
Total net position	$ 45,748,088	$ 10,216,053	$ 55,964,141

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 5,532,530	$ 254,697	$ 4,995	$ 67,645
Public safety	8,432,376	550,275	108,239	-
Community services	467,764	374,704	-	-
Streets and drainage	3,046,868	517,494	-	704,599
Parks and recreation	4,577,551	742,041	-	4,584
Interest on long-term debt	586,607	-	-	-
Total governmental activities	22,643,696	2,439,211	113,234	776,828
Business-type activities:				
Water and wastewater	9,880,513	9,552,361	-	1,199,342
Total business-type activities	9,880,513	9,552,361	-	1,199,342
Total primary government	$ 32,524,209	$ 11,991,572	$ 113,234	$ 1,976,170

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Franchise
  - Sales
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$(5,205,193)	$ -	$(5,205,193)
(7,773,862)	-	(7,773,862)
(93,060)	-	(93,060)
(1,824,775)	-	(1,824,775)
(3,830,926)	-	(3,830,926)
(586,607)	-	(586,607)
(19,314,423)	-	(19,314,423)
-	871,190	871,190
-	871,190	871,190
(19,314,423)	871,190	(18,443,233)
11,509,160	-	11,509,160
2,043,385	-	2,043,385
1,513,527	-	1,513,527
4,732,971	-	4,732,971
38,718	15,064	53,782
83,090	-	83,090
470,000	(470,000)	-
20,390,851	(454,936)	19,935,915
1,076,428	416,254	1,492,682
44,671,660	9,799,799	54,471,459
$ 45,748,088	$ 10,216,053	$ 55,964,141

CITY OF HIGHLAND VILLAGE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	General	Debt Service
ASSETS		
Cash and investments	$ 8,252,353	$ 137,974
Receivables, net		
Taxes	1,071,638	17,014
Accounts	128,158	-
Other	1,919	-
Due from other governments	-	-
Prepaid items	60,030	-
Total assets	9,514,098	154,988
LIABILITIES		
Accounts payable	628,293	-
Accrued liabilities	403,765	-
Unearned revenue	37,135	-
Total liabilities	1,069,193	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue:		
Property taxes	93,793	17,012
Municipal court fines	24,205	-
Ambulance	56,330	-
Park fees	1,590	-
Grants	-	-
Total deferred inflows of resources	175,918	17,012
FUND BALANCES		
Nonspendable - prepaid items	60,030	-
Restricted for:		
Debt service	-	137,976
Public parks, recreation, and related projects	-	-
Public safety - law enforcement operations	-	-
Utility drainage operations	-	-
Capital projects	-	-
Public broadcasting	-	-
Committed - park development and maintenance	-	-
Assigned for:		
Subsequent year's budget - appropriation of fund balance	1,288,241	-
City manager- professional services	5,759	-
Finance - professional services	37,500	-
Community services - professional services	440	-
Information services - professional services	19,395	-
Public safety - police - services and supplies	72,059	-
Public safety - fire - services and supplies	236	-
Streets - maintenance and professional services	118,402	-
Maintenance - fleet and building maintenance	466,381	-
Parks - maintenance and supplies	15,758	-
Recreation - services	7,500	-
Unassigned	6,177,286	-
Total fund balances	8,268,987	137,976
Total liabilities, deferred inflows of resources, and fund balances	$ 9,514,098	$ 154,988

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ 2,605,536	$ 1,549,480	$ 12,545,343
-	260,770	1,349,422
-	-	128,158
-	42,439	44,358
-	1,012	1,012
-	-	60,030
2,605,536	1,853,701	14,128,323
220,620	74,112	923,025
-	61,158	464,923
-	59,718	96,853
220,620	194,988	1,484,801
-	-	110,805
-	-	24,205
-	-	56,330
-	16,655	18,245
-	1,012	1,012
-	17,667	210,597
-	-	60,030
-	-	137,976
-	356,701	356,701
-	97,342	97,342
-	394,943	394,943
2,384,916	-	2,384,916
-	123,564	123,564
-	668,496	668,496
-	-	1,288,241
-	-	5,759
-	-	37,500
-	-	440
-	-	19,395
-	-	72,059
-	-	236
-	-	118,402
-	-	466,381
-	-	15,758
-	-	7,500
-	-	6,177,286
2,384,916	1,641,046	12,432,925
$ 2,605,536	$ 1,853,701	$ 14,128,323

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

Total fund balance, governmental funds		$ 12,432,925
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		58,375,544
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 110,805	
Ambulance fees	56,330	
Court fines	24,205	
Park fees	18,245	
Grants	1,012	
		210,597
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Also, the loss on refunding of bonds and premium on issuance of bonds are not included in the funds. The details of these differences are as follows:		
Bonds payable	(20,180,000)	
Deferred amount on refunding	128,245	
Issuance premium	(218,172)	
Accrued interest	(70,272)	
Compensated absences	(1,130,575)	
		(21,470,774)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	1,155,864	
Deferred inflow related to pensions	(1,267,671)	
Deferred outflow related to post employment benefits	114,042	
Deferred inflow related to post employment benefits	(24,822)	
Total OPEB liability	(479,201)	
Net pension liability	(3,298,416)	
		(3,800,204)
Net position of governmental activities in the statement of net position		$ 45,748,088

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General	Debt Service
REVENUES		
Taxes	$ 16,266,155	$ 2,050,057
Fines and forfeitures	76,646	-
Licenses, permits and fees	686,001	-
Intergovernmental	9,579	-
Charges for services	510,796	-
Investment earnings	30,683	201
Miscellaneous	82,090	-
Total revenues	17,661,950	2,050,258
EXPENDITURES		
Current:		
General government:		
City manager	523,492	-
Finance	1,292,568	-
Marketing and Communication	371,799	-
Human resources	462,417	-
City secretary	320,123	-
Maintenance	1,508,858	-
Information services	1,003,582	-
Public safety:		
Police	4,884,450	-
Fire	3,104,538	-
Community services	469,944	-
Streets and drainage	1,168,016	-
Parks and recreation	2,339,931	-
Debt service:		
Principal	-	2,250,000
Interest and other	-	593,000
Capital outlay	458,025	-
Total expenditures	17,907,743	2,843,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(245,793)	(792,742)
OTHER FINANCING SOURCES (USES)		
Transfers in	598,180	804,482
Transfers out	(36,000)	-
Total other financing sources and uses	562,180	804,482
NET CHANGE IN FUND BALANCES	316,387	11,740
FUND BALANCES, BEGINNING	7,952,600	126,236
FUND BALANCES, ENDING	$ 8,268,987	$ 137,976

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ -	$ 1,532,222	$ 19,848,434
-	-	76,646
-	1,172,504	1,858,505
67,645	107,227	184,451
-	-	510,796
7,585	249	38,718
-	1,000	83,090
75,230	2,813,202	22,600,640
-	-	523,492
-	12,781	1,305,349
-	-	371,799
-	-	462,417
-	-	320,123
-	-	1,508,858
-	-	1,003,582
-	1,914	4,886,364
-	8,567	3,113,105
-	-	469,944
142,940	460,519	1,771,475
-	882,694	3,222,625
-	-	2,250,000
-	-	593,000
770,136	45,939	1,274,100
913,076	1,412,414	23,076,233
(837,846)	1,400,788	(475,593)
-	36,000	1,438,662
-	(932,662)	(968,662)
-	(896,662)	470,000
(837,846)	504,126	(5,593)
3,222,762	1,136,920	12,438,518
$ 2,384,916	$ 1,641,046	$ 12,432,925

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds:		$(5,593)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 1,274,100	
Contributed capital assets	704,599	
Depreciation expense	(3,443,506)	
		(1,464,807)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	(41,689)	
Ambulance fees	14,399	
Court fines	(24,501)	
Franchise taxes	(7,702)	
Park fees	3,366	
Grants	1,012	
		(55,115)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal portion of bonds, capital leases and tax notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Payments on bonds and tax notes	1,960,000	
Payment on tax notes	290,000	
		2,250,000
Certain pension and other postemployment benefits expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and other post employment benefits liability were amortized.		334,294
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	11,256	
Accrued interest	7,011	
Amortization of deferred loss of refunding bonds	(39,413)	
Amortization of premium on bond issuances	38,795	
		17,649
Change in net position of governmental activities		$ 1,076,428

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2021
(With Comparative Totals as of September 30, 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,377,957	$ 1,079,178
Accounts receivable, net	1,778,334	1,657,223
Other receivables	10,507	9,613
Inventories	270,771	260,718
Prepaid items	4,565	4,565
Due from other funds	-	63,549
Restricted cash and investments:		
Reserve bond debt service	671,904	661,685
Capital improvements	2,518,504	2,926,117
Construction	1,207,251	1,075,324
Customer deposits	114,350	123,975
Total current assets	8,954,143	7,861,947
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	713,620	254,510
Depreciable capital assets, net of accumulated depreciation	14,373,542	14,683,487
Total capital assets	15,087,162	14,937,997
Total non-current assets	15,087,162	14,937,997
Total assets	24,041,305	22,799,944
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	42,095	57,638
Deferred outflows related to pensions	134,595	149,435
Deferred outflows related to other postemployment benefits	13,280	11,394
Total deferred outflows of resources	189,970	218,467

The accompanying notes are an integral part of these financial statements.

	2021	2020
LIABILITIES		
Current liabilities:		
Accounts payable	651,052	928,805
Accrued expenses	88,693	81,988
Accrued interest	37,659	40,625
Retainage payable	18,020	2,290
Customer deposits	114,350	123,975
Unearned revenue	2,065,048	-
Current portion of long-term obligations	1,051,271	1,030,748
Total OPEB Liability	632	221
Total current liabilities	4,026,725	2,208,652
Noncurrent liabilities:		
Net pension liability	384,084	433,131
Total OPEB liability	55,168	44,386
Noncurrent portion of long-term obligations	9,384,174	10,339,624
Total non-current liabilities	9,823,426	10,817,141
Total liabilities	13,850,151	13,025,793
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	14,567	16,531
Deferred inflows related to pensions	147,614	172,874
Deferred inflows related to other postemployment benefits	2,890	3,414
Total deferred inflows of resources	165,071	192,819
NET POSITION		
Net investment in capital assets	7,252,431	6,637,826
Restricted for capital projects	1,207,251	1,075,324
Unrestricted	1,756,371	2,086,649
Total net position	$ 10,216,053	$ 9,799,799

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Totals For the Year Ended September 30, 2020)

	2021	2020
REVENUES		
Charges for services	$ 9,552,361	$ 9,439,260
Total operating revenues	9,552,361	9,439,260
OPERATING EXPENSES		
Administration	422,324	366,443
Maintenance and operations	7,817,259	7,375,539
Depreciation	1,344,262	1,320,353
Total operating expenses	9,583,845	9,062,335
OPERATING INCOME (LOSS)	(31,484)	376,925
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	15,064	63,203
Gain on disposal of capital assets	-	135,250
Interest expense	(296,668)	(320,056)
Total non-operating revenues (expenses)	(281,604)	(121,603)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(313,088)	255,322
Capital contributions - impact fees	284,173	164,859
Capital contributions - dedicated assets	915,169	-
Transfers out	(470,000)	(470,000)
CHANGE IN NET POSITION	416,254	(49,819)
TOTAL NET POSITION, BEGINNING	9,799,799	9,849,618
TOTAL NET POSITION, ENDING	$ 10,216,053	$ 9,799,799

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Totals For the Year Ended September 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 9,420,731	$ 9,651,152
Cash paid to suppliers for goods and services	(7,081,417)	(5,845,929)
Cash paid to employees for services	(1,482,222)	(1,475,883)
Net cash provided by operating activities	857,092	2,329,340
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid to other funds	63,549	-
Transfers to other funds	(470,000)	(470,000)
Net cash used for noncapital financing activities	(406,451)	(470,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	-	135,250
Acquisition and construction of capital assets	(562,528)	(531,089)
Principal paid on bonds	(915,000)	(890,000)
Capital contributions	2,349,221	164,859
Interest and other charges paid on debt	(313,711)	(339,781)
Net cash used by capital and related financing activities	557,982	(1,460,761)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	15,064	63,203
Net cash provided by investing activities	15,064	63,203
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,023,687	461,782
CASH AND CASH EQUIVALENTS, BEGINNING	5,866,279	5,404,497
CASH AND CASH EQUIVALENTS, ENDING (Including $4,512,009 and $4,787,101 reported as restricted cash and investments)	$ 6,889,966	$ 5,866,279

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Totals For the Year Ended September 30, 2020)

	2021	2020
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$(31,484)	$ 376,925
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,344,262	1,320,353
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	(121,111)	231,143
Other receivables	(894)	(5,756)
Inventories	(10,053)	8,983
Prepaid and other assets	-	37,555
Deferred outflow related to pensions	14,840	166,438
Deferred outflow related to OPEB	(1,886)	(7,805)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(277,753)	403,543
Accrued liabilities	6,705	3,044
Customer deposits	(9,625)	(13,495)
Compensated absences	7,729	-
Other post employment benefits	11,193	(11,372)
Net pension liability	(49,047)	(320,278)
Deferred inflow related to pensions	(25,260)	140,919
Deferred inflow related to OPEB	(524)	(857)
Net cash provided by operating activities	$ 857,092	$ 2,329,340
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES		
Developer contributions of capital assets	$ 915,169	$ -

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985 and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Annual Comprehensive Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Fund – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost threshold by asset class and an estimated useful life in excess of four years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives and capitalization thresholds of capital asset classes are as follows:

Capital Asset Class	Capitalization Threshold	Useful Life (Years)
Land	$ 50,000	Indefinite
Infrastructure	250,000	20
Buildings and Improvements	100,000	30
Land Improvements	50,000	20
Machinery and equipment	5,000	5 - 10
Intangibles	5,000	5 - 10

Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days. Obligations under compensated absence arrangements are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and other post-employment benefit contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension and other post-employment benefit liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has several types of these items that are recorded under the full accrual basis of accounting as followed:

- It is the difference in expected and actual pension experience.

- The pension and OPEB difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- The deferred gain is amortized over the shorter of the life of the refunded or refunding debt.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council. The City does not have assigned fund balance at year-end.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended.

Investments held at year-end are as follows:

	Carrying Value	Weighted Average Maturity (Days)
TexPool	$ 1,963,585	31
TexStar	3,080,870	39
Total investments	$ 5,044,455	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), and TexPool, through which political subdivisions and other entities may invest public funds.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

TexPool and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's cash deposits in the bank on September 30, 2021, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor Governmental	Enterprise	Total
Receivables:					
Taxes	$ 1,071,638	$ 17,014	$ 260,770	$ -	$ 1,349,422
Accounts	657,823	-	-	1,242,113	1,899,936
Unbilled	-	-	-	559,741	559,741
Other	1,919	-	42,439	10,507	54,865
Gross receivables	1,731,380	17,014	303,209	1,812,361	3,863,964
Less: allowance for uncollectibles	(529,665)	-	-	(23,520)	(553,185)
Net total receivables	$ 1,201,715	$ 17,014	$ 303,209	$ 1,788,841	$ 3,310,779

C. Unearned Revenue

Unearned revenue generally relates to cash received in advance of performance obligations being completed by the City. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General fund:	
Franchise taxes	$ 4,232
Park fees	3,094
Unspent grant funds	29,809
Total general fund	37,135
Nonmajor governmental fund:	
Parks fees	59,718
Total nonmajor governmental fund	59,718
Total governmental funds	$ 96,853

Additionally, the Water and Wastewater enterprise fund reported ending unearned revenue of $2,065,048 for grant funds received under the American Rescue Plan Act that will be spent in future years.

D. Interfund Transfers

The following is a summary of transfers for the current fiscal year:

	Transfers in			
Transfers out	General	Debt Service	Nonmajor Governmental	Total
General	$ -	$ -	$ 36,000	$ 36,000
Nonmajor governmental	128,180	804,482	-	932,662
Water and wastewater	470,000	-	-	470,000
	$ 598,180	$ 804,482	$ 36,000	$ 1,438,662

The purpose of transfers is as follows:

- The transfer to non-major governmental funds was for a drainage fee associated with imperious square footage of public buildings.
- The transfer from the Nonmajor Governmental Fund to the Debt Service Fund is a for debt service payments made on behalf of the HVCDC.
- The transfer from Nonmajor Governmental Fund to the General Fund is for support services.
- The transfer from the Water and Wastewater Fund to the General Fund represents a payment in lieu of taxes.

E. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	3,528,661	776,930	(2,989,236)	1,316,355
Total assets not being depreciated	20,712,509	776,930	(2,989,236)	18,500,203
Capital assets, being depreciated:				
Land improvements	24,980,669	-	995,059	25,975,728
Buildings and improvements	15,996,042	-	-	15,996,042
Equipment	10,062,375	497,170	-	10,559,545
Infrastructure	41,904,326	704,599	1,994,177	44,603,102
Intangibles	537,690	-	-	537,690
Total capital assets being depreciated	93,481,102	1,201,769	2,989,236	97,672,107
Less accumulated depreciation:				
Land improvements	10,328,986	1,098,688	-	11,427,674
Buildings and improvements	10,425,200	506,848	-	10,932,048
Equipment	6,492,605	753,005	-	7,245,610
Infrastructure	26,710,906	1,016,746	-	27,727,652
Intangibles	395,563	68,219	-	463,782
Total accumulated depreciation	54,353,260	3,443,506	-	57,796,766
Total capital assets being depreciated, net	39,127,842	(2,241,737)	2,989,236	39,875,341
Governmental activities capital assets, net	$ 59,840,351	$(1,464,807)	$ -	$ 58,375,544

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	178,797	459,110	-	637,907
Total assets not being depreciated	254,510	459,110	-	713,620
Capital assets, being depreciated:				
Buildings	1,469,616	-	-	1,469,616
Improvements other than buildings	35,534,236	915,169	-	36,449,405
Equipment	2,112,042	119,148	-	2,231,190
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Total capital assets being depreciated	39,815,184	1,034,317	-	40,849,501
Less accumulated depreciation:				
Buildings	679,752	71,921	-	751,673
Improvements other than buildings	22,466,920	1,110,267	-	23,577,187
Equipment	1,294,340	161,458	-	1,455,798
Infrastructure	608,948	616	-	609,564
Intangibles	81,737	-	-	81,737
Total accumulated depreciation	25,131,697	1,344,262	-	26,475,959
Total capital assets being depreciated, net	14,683,487	(309,945)	-	14,373,542
Business-type activities capital assets, net	$ 14,937,997	$ 149,165	$ -	$ 15,087,162

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City manager	$ 1,052
Finance	7,005
Human resources	896
City secretary	2,930
Information Services	62,136
Marketing and Communications	21,140
Maintenance	12,143
Community services	6,393
Police	226,221
Fire	427,528
Streets and drainage	1,286,139
Park and recreation	1,389,923
Total depreciation expense - governmental activities	$ 3,443,506
Business-type activities:	
Water and wastewater	$ 1,344,262
Total depreciation expense - business-type activities	$ 1,344,262

F. Construction Commitments

The City has active construction projects as of September 30, 2021. At year-end the City's commitments with contractors are as follows:

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
KCS Pedestrian Tunnel	$ 17,042	$ 40,078
Highland Village Rd. Phase II-A	78,125	734,508
2018 Street Improvements	106,873	1,054,664
Victoria Park Sidewalk Improvements	47,718	124,184
Unity Softball Fields	1,013,809	38,699
Chapel Hill Sidewalk Improvements	22,978	57,972
Brazos Park Sidewalk	29,811	4,704
Facilities Upgrades Project	-	454,384
Business-type activities:		
Spruce Drive Water Line Replacement	$ 4,135	$ 565
12" Water Line Northwest of City	74,641	54,159
Glenmere, Camden, Turpin, La Mesa Water, and Sewer Line	442,601	439,820
Lake Vista Well Lot and Facilities	87,286	30,214
Highland Shores Ground Storage Tank Repaint	224,506	4,350
Edgewood Dr. Sewer Line Replacement	-	83,005

G. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are payable and pledged from the levy and collection of a direct and continuing annual ad valorem tax. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
General obligation refunding and improvement bonds	2.00 - 4.00	2011	2022	4,070,000	$ 225,000
General obligation refunding and improvement bonds - Direct Placement	2.04	2015	2028	7,700,000	4,665,000
General obligation refunding bonds - Direct Placement	2.28	2017	2029	2,435,000	935,000
General obligation refunding and improvement bonds	3.00 - 4.00	2018	2038	6,905,000	6,320,000
Total governmental activities					12,145,000
Business-type activities:					
General obligation refunding bonds	2.00 - 3.00	2012	2024	4,565,000	1,020,000
General obligation refunding bonds - Direct Placement	2.28	2017	2029	4,050,000	2,880,000
Total business-type activities					3,900,000
Total general obligation bonds outstanding					$ 16,045,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	$ 510,000	$ 194,200	$ 330,000	$ 25,650
2023	295,000	178,100	340,000	15,600
2024	310,000	167,550	350,000	5,250
2025	315,000	158,175	-	-
2026	325,000	148,575	-	-
2027-2031	1,785,000	588,075	-	-
2032-2036	2,080,000	298,500	-	-
2037-2038	925,000	27,975	-	-
Total	$ 6,545,000	$ 1,761,150	$ 1,020,000	$ 46,500

General Obligation Bonds - Direct Placement

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	$ 980,000	$ 106,083	$ 310,000	$ 61,993
2023	1,145,000	83,685	320,000	54,828
2024	1,180,000	59,230	320,000	47,548
2025	630,000	40,392	390,000	39,471
2026	645,000	27,387	395,000	30,542
2027-2031	1,020,000	17,748	1,145,000	36,912
Total	$ 5,600,000	$ 334,525	$ 2,880,000	$ 271,294

Combination Tax and Revenue Certificates of Obligation

The City also issues bonds where the government pledges a combination of the levy and collection of a direct and continuing annual ad valorem tax plus a limited pledge ($2,500) of the net revenues from the Water and Sewer System to pay debt service. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities. Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue certificates of obligation	2.00 - 3.50	2012	2032	2,795,000	$ 1,875,000
Combination tax and revenue certificates of obligation	2.00 - 4.00	2014	2034	7,020,000	5,870,000
Total governmental activities					$ 7,745,000
Business-type activities:					
Combination tax and revenue certificates of obligation	2.00 - 4.00	2013	2034	4,540,000	3,655,000
Combination tax and revenue certificates of obligation	3.00 - 4.00	2018	2028	2,715,000	2,590,000
Total business-type activities					6,245,000
Total certificates of obligation outstanding					$ 13,990,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Certificates of Obligation

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	$ 530,000	$ 230,703	$ 295,000	$ 201,269
2023	540,000	218,040	300,000	193,181
2024	555,000	204,578	315,000	184,519
2025	570,000	189,828	385,000	173,106
2026	585,000	173,765	400,000	158,936
2027-2031	3,185,000	591,081	2,230,000	570,337
2032-2036	1,780,000	93,591	1,915,000	190,426
2037-2038	-	-	405,000	12,734
Total	$ 7,745,000	$ 1,701,586	$ 6,245,000	$ 1,684,508

Prior Year Refunding of Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2021, the City does not have bonds considered defeased and outstanding.

Tax Notes

The City also issues tax notes for the purpose of paying contractual obligations to be incurred for the acquisition of equipment and construction of certain land improvements. The tax notes are payable from proceeds of ad valorem tax levied upon all taxable property in the City. Tax notes currently outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Tax Note	1.590 %	2015	2022	$ 1,535,000	$ 290,000

Tax Notes debt service requirements to maturity are as follows:

Tax Notes - Direct Placement

Year Ending September 30,	Governmental Activities Principal	Interest
2022	290,000	2,306
Total	$ 290,000	$ 2,306

H. Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 13,590,000	$ -	$ 1,445,000	$ 12,145,000	$ 1,490,000
Combination tax and revenue CO	8,260,000	-	515,000	7,745,000	530,000
Tax note	580,000	-	290,000	290,000	290,000
Issuance premium	256,968	-	38,796	218,172	32,708
Total bonds payable	22,686,968	-	2,288,796	20,398,172	2,342,708
Compensated absences	1,141,827	789,257	800,509	1,130,575	792,620
Governmental activities long-term liabilities	$ 23,828,795	$ 789,257	$ 3,089,305	$ 21,528,747	$ 3,135,328

The General Fund has typically been used to liquidate governmental activities compensated absences, the net pension liability, and the total OPEB liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 4,520,000	$ -	$ 620,000	$ 3,900,000	$ 640,000
Combination tax and revenue CO	6,540,000	-	295,000	6,245,000	295,000
Issuance premium	191,571	-	29,053	162,518	29,053
Total bonds payable	11,251,571	-	944,053	10,307,518	964,053
Compensated absences	118,801	90,122	80,996	127,927	87,218
Business-type activities long-term liabilities	$ 11,370,372	$ 90,122	$ 1,025,049	$ 10,435,445	$ 1,051,271

Additionally, certain obligations that were marketed as direct placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

I. Retirement Plan

Plan Descriptions. The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive financial report (ACFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	118
Active employees	153
	362

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.31% and 13.56% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the years ended September 30, 2021 and September 30, 2020 were $1,466,577 and $1,427,239, respectively, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 47,633,153	$ 43,436,144	$ 4,197,009
Changes for the year:			
Service cost	1,952,526	-	1,952,526
Interest	3,238,362	-	3,238,362
Difference between expected and actual experience	(150,374)	-	(150,374)
Changes of assumptions	-	-	-
Contributions - employer	-	1,491,855	(1,491,855)
Contributions - employee	-	784,597	(784,597)
Net investment income	-	3,300,738	(3,300,738)
Benefit payments, including refunds of employee contributions	(1,267,369)	(1,267,369)	-
Administrative expense	-	(21,335)	21,335
Other changes	-	(832)	832
Net changes	3,773,145	4,287,654	(514,509)
Balance at 12/31/2020	$ 51,406,298	$ 47,723,798	$ 3,682,500

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 11,778,575	$ 3,682,500	$(2,874,895)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2021, the City recognized pension expense of $1,029,261. As of September 30, 2021, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 187,536	$ 186,269
Changes in actuarial assumptions	47,475	-
Difference between projected and actual investment earnings	-	1,229,016
Contributions subsequent to the measurement date	1,055,448	-
Totals	$ 1,290,459	$ 1,415,285

$1,055,448 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2022	$(432,625)
2023	53,397
2024	(722,202)
2025	(78,844)

J. Defined Other Post-Employment Benefit Plan – TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	24
Active employees	153
Total	231

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.16% for 2021 and 0.15% for 2020, of which 0.07% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2021 and 2020 were $17,068 and $16,073, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City's total OPEB liability of was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	2.00%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	$ 659,285	$ 535,001	$ 439,454

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2019	$ 432,240
Changes for the year:	
Service cost	24,659
Interest	12,195
Difference between expected and actual experience	(5,753)
Changes of assumptions	73,902
Benefit payments	(2,242)
Net changes	102,761
Balance at 12/31/2020	$ 535,001

Changes in assumptions and other inputs reflect a change in the discount rate from 2.75% to 2.00%.

OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2021, the City recognized OPEB expense of $56,270. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

At September 30, 2021, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 12,891
Changes in actuarial assumptions	121,874	14,821
Contributions subsequent to the measurement date	5,448	-
Totals	$ 127,322	$ 27,712

$5,448 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2022. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2022	$	19,868
2023		19,868
2024		18,316
2025		17,053
2026		15,099
Thereafter		3,958

K. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of the said bonds to be payable from and secured by annual payments made by participating members. In the fiscal year 2021, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City paid fixed operations and maintenance costs of $403,500/MGD, $685,095/MGD for joint facilities, and $232,408 for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.25/1,000 gallons.

In the fiscal year 2021, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.16/1,000 gallons, with an annual demand charge of $455,150/MGD.

For the fiscal year 2022, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to paying fixed operations and maintenance costs of $423,500/MGD, facility charges of $672,820 for joint facilities, and $232,895 annually for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.25/1,000 gallons.

In the fiscal year 2022, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.25/1,000 gallons, with an annual demand charge of $465,055/MGD.

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 743,430
Other governmental	2,014,571
Total	$ 2,758,001

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

New Accounting Standards

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 87, *Leases* – This Statement is to improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria or outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will become effective for the City for Fiscal Year 2023.

Subsequent Events

In November 2021, the City issued its General Obligation Refunding Bonds, Series 2021, in the amount of $13,215,000. The bonds were issued as a current refunding to extinguish existing obligations at a present value savings. The bonds bear interest ranging from 3-5% per annum and will mature in series from 2022 to 2034 .

Additionally, in December 2021, the City issued its Combination Tax and Revenue Certificates of Obligation, Series 2021, in the amount of $14,240,000. The Certificates bear interest ranging from 2-4% per annum and mature in series from 2022 through 2041. The proceeds of the Certificates will be used to fund construction of park facilities and public infrastructure.

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REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 15,936,819	$ 15,936,819	$ 16,266,155	$ 329,336
Fines and forfeitures	111,180	111,180	76,646	(34,534)
Licenses, permits and fees	741,128	741,128	686,001	(55,127)
Intergovernmental	-	-	9,579	9,579
Charges for services	557,555	557,555	510,796	(46,759)
Investment earnings	150,000	150,000	30,683	(119,317)
Miscellaneous	140,550	140,550	82,090	(58,460)
Total revenues	17,637,232	17,637,232	17,661,950	24,718
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	386,790	386,790	372,199	14,591
Services and supplies	216,741	216,741	151,293	65,448
Total city manager	603,531	603,531	523,492	80,039
Finance:				
Personnel	873,265	873,265	863,767	9,498
Services and supplies	472,050	487,050	428,801	58,249
Total finance	1,345,315	1,360,315	1,292,568	67,747
Marketing and Communication:				
Personnel	289,268	304,268	292,781	11,487
Services and supplies	114,504	114,504	79,018	35,486
Total Marketing and Communication	403,772	418,772	371,799	46,973
Human resources:				
Personnel	446,765	446,765	379,406	67,359
Services and supplies	118,977	118,977	83,011	35,966
Total human resources	565,742	565,742	462,417	103,325
City secretary:				
Personnel	229,498	229,498	202,750	26,748
Services and supplies	168,717	168,717	117,373	51,344
Total city secretary	398,215	398,215	320,123	78,092
Information services:				
Personnel	712,319	757,319	743,812	13,507
Services and supplies	371,783	326,783	259,770	67,013
Capital outlay	-	-	77,380	(77,380)
Total information services	1,084,102	1,084,102	1,080,962	3,140
Maintenance:				
Personnel	365,534	380,534	379,381	1,153
Services and supplies	721,495	1,121,495	1,129,477	(7,982)
Total maintenance	1,087,029	1,502,029	1,508,858	(6,829)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public safety:				
Police:				
Personnel	$ 4,775,377	$ 4,705,377	$ 4,503,152	$ 202,225
Services and supplies	398,630	411,630	381,298	30,332
Capital outlay	155,000	155,000	79,923	75,077
Total police	5,329,007	5,272,007	4,964,373	307,634
Fire:				
Personnel	2,689,053	2,729,053	2,684,955	44,098
Services and supplies	419,961	404,961	419,583	(14,622)
Capital outlay	17,000	17,000	-	17,000
Total fire	3,126,014	3,151,014	3,104,538	46,476
Community services:				
Personnel	401,976	451,976	457,900	(5,924)
Services and supplies	20,868	23,868	12,044	11,824
Total building operations	422,844	475,844	469,944	5,900
Streets and drainage:				
Personnel	802,489	752,489	696,928	55,561
Services and supplies	708,710	713,710	471,088	242,622
Capital outlay	140,000	250,000	212,834	37,166
Total streets and drainage	1,651,199	1,716,199	1,380,850	335,349
Parks and recreation:				
Personnel	1,515,191	1,535,191	1,463,440	71,751
Services and supplies	1,110,901	1,160,901	876,491	284,410
Capital outlay	105,000	105,000	87,888	17,112
Total parks and recreation	2,731,092	2,801,092	2,427,819	373,273
Total expenditures	18,747,862	19,348,862	17,907,743	1,441,119
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,110,630)	(1,711,630)	(245,793)	1,465,837
OTHER FINANCING SOURCES (USES)				
Transfers in	534,000	534,000	598,180	64,180
Transfers out	(36,000)	(36,000)	(36,000)	-
Total other financing sources and uses	498,000	498,000	562,180	64,180
NET CHANGE IN FUND BALANCE	(612,630)	(1,213,630)	316,387	1,530,017
FUND BALANCE, BEGINNING	7,952,600	7,952,600	7,952,600	-
FUND BALANCE, ENDING	$ 7,339,970	$ 6,738,970	$ 8,268,987	$ 1,530,017

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BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds and the Debt Service Fund. The Capital Project Funds are appropriated on a project-length basis, except for the Park Development Fund, which is appropriated annually.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2021, expenditures exceed appropriation in the following fund, function, department and category:

Fund	Function/Department	Category	Amount
General	General Government - Maintenance	Services and Supplies	7,982
General	General Government - Information services	Capital outlay	77,380
General	Public Safety - Fire	Services and Supplies	14,622
General	Public Safety - Community Services	Personnel	5,924

These overages were covered by cost savings in other categories or with greater than anticipated revenues.

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Measurement Date December 31,	**2014**	**2015**
A. Total pension liability		
Service Cost	$ 1,370,530	$ 1,535,928
Interest (on the Total Pension Liability)	1,983,761	2,177,527
Difference between expected and actual experience	(10,973)	(226,332)
Changes of assumptions	-	196,596
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Net change in total pension liability	2,692,726	3,018,466
Total pension liability - beginning	27,979,470	30,672,196
Total pension liability - ending (a)	$ 30,672,196	$ 33,690,662
B. Plan fiduciary net position		
Contributions - employer	$ 1,070,712	$ 1,187,926
Contributions - employee	588,766	625,694
Net investment income	1,407,343	39,833
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Administrative expense	(14,690)	(24,263)
Other	(1,208)	(1,197)
Net change in plan fiduciary net position	2,400,331	1,162,740
Plan fiduciary net position - beginning	24,595,321	26,995,652
Plan fiduciary net position - ending (b)	$ 26,995,652	$ 28,158,392
C. Net pension liability - ending (a) - (b)	$ 3,676,544	$ 5,532,270
D. Plan fiduciary net position as a percentage of total pension liability	88.01%	83.58%
E. Covered payroll	$ 8,410,947	$ 8,940,209
F. Net position liability as a percentage of covered payroll	43.71%	61.88%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 7 years are included and additional years will be added in the future as the information becomes available.

2016	2017	2018	2019	2020
$ 1,646,661	$ 1,710,282	$ 1,767,329	$ 1,845,710	$ 1,952,526
2,307,773	2,521,112	2,735,944	2,960,334	3,238,362
(95,490)	(173,461)	(171,841)	352,042	(150,374)
-	-	-	89,119	-
(649,521)	(810,836)	(996,678)	(1,095,988)	(1,267,369)
3,209,423	3,247,097	3,334,754	4,151,217	3,773,145
33,690,662	36,900,085	40,147,182	43,481,936	47,633,153
$ 36,900,085	$ 40,147,182	$ 43,481,936	$ 47,633,153	$ 51,406,298
$ 1,229,404	$ 1,325,468	$ 1,367,635	$ 1,410,431	$ 1,491,855
651,959	680,226	706,528	739,552	784,597
1,903,485	4,336,041	(1,102,494)	5,684,242	3,300,738
(649,521)	(810,836)	(996,678)	(1,095,988)	(1,267,369)
(21,492)	(22,461)	(21,292)	(32,086)	(21,335)
(1,158)	(1,138)	(1,112)	(964)	(832)
3,112,677	5,507,299	(47,412)	6,705,188	4,287,654
28,158,392	31,271,069	36,778,368	36,730,956	43,436,144
$ 31,271,069	$ 36,778,368	$ 36,730,956	$ 43,436,144	$ 47,723,798
$ 5,629,016	$ 3,368,814	$ 6,750,980	$ 4,197,009	$ 3,682,500
84.75%	91.61%	84.47%	91.19%	92.84%
$ 9,313,695	$ 9,717,511	$ 10,093,257	$ 10,565,024	$ 11,208,528
60.44%	34.67%	66.89%	39.73%	32.85%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Fiscal Year Ended September 30,	**2014**	**2015**
Actuarial determined contribution	$ 1,049,673	$ 1,163,130
Contributions in relation to the actuarially determined contribution	1,049,673	1,163,130
Contribution deficiency (excess)	-	-
Covered payroll	8,329,839	8,859,846
Contributions as a percentage of covered payroll	12.60%	13.13%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2021, only 8 years are included and additional years will be added in the future as the information becomes available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information There were no benefit change during this year.

2016	2017	2018	2019	2020	2021
$ 1,258,570	$ 1,303,201	$ 1,362,529	$ 1,238,128	$ 1,427,239	$ 1,466,577
1,258,570	1,303,201	1,362,529	1,238,128	1,427,239	1,466,577
-	-	-	-	-	-
9,517,623	9,628,107	10,031,460	9,235,981	10,715,294	10,859,779
13.22%	13.54%	13.58%	13.41%	13.32%	13.50%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Measurement Date December 31,	**2017**	**2018**	**2019**	**2020**
A. Total OPEB liability				
Service Cost	$ 16,520	$ 20,187	$ 17,961	$ 24,659
Interest (on the Total OPEB Liability)	11,181	11,678	13,012	12,195
Difference between expected and actual experience	-	(3,782)	(8,636)	(5,753)
Changes of assumptions	29,489	(27,003)	69,216	73,902
Benefit payments, including refunds of employee contributions	(1,944)	(2,019)	(2,113)	(2,242)
Net change in Total OPEB liability	55,246	(939)	89,440	102,761
Total OPEB liability - beginning	288,493	343,739	342,800	432,240
Total OPEB liability - ending	$ 343,739	$ 342,800	$ 432,240	$ 535,001
B. Covered-employee payroll	$ 9,717,511	$ 10,093,257	$ 10,565,024	$ 11,208,528
C. Total OPEB liability as a percentage of covered-employee payroll	3.54%	3.40%	4.09%	4.77%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information. As of September 30, 2021, only 4 years are included and additional years will be added in the future as the information becomes available.

- Changes of assumptions generally includes the annual change in the municipal bond index rate.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Corps Leased Parks Fund – This fund is used to account for the operations of Corp Leased Parks. Park admission and usage fees charged to patrons are committed to finance operations.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

Municipal Court Building Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Utility Drainage Fund – This fund is used to account for fees collected for the purpose of improving, upgrading and maintaining the City's drainage system. The City is mandated by the Texas Commission on Environmental Quality (TCEQ) to develop and maintain a Storm Water Management Plan in order to address capacity and quality issues and protect its residents and their properties from possible flooding and pollution problems. Drainage fees are collected by residents to fund the activities required to comply TCEQ regulations.

PEG Fee Fund – This fund is used to account for public, educational, and governmental (PEG) fees charged to cable users, which are restricted for the City's PEG channel.

Community Development Corporation – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

Park Development Fund – This fund accounts for development fees charged to property developers, which are committed for development and maintenance of City parks.

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
ASSETS			
Cash and investments	$ 643,729	$ 66,279	$ 40,992
Receivables:			
Taxes	-	-	-
Other	29,906	-	-
Due from other governments	-	1,012	-
Total assets	673,635	67,291	40,992
LIABILITIES			
Accounts payable	18,816	429	-
Accrued liabilities	5,919	24,878	-
Due to other funds	-	-	-
Unearned revenue	48,458	-	-
Total liabilities	73,193	25,307	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - park fees	12,920	-	-
Unavailable revenue - grants	-	1,012	-
Total deferred inflows of resources	12,920	1,012	-
FUND BALANCES			
Restricted for:			
Community development	-	-	-
Public safety - law enforcement operations	-	40,972	40,992
Utility drainage operations	-	-	-
Public broadcasting	-	-	-
Committed - park development and maintenance	587,522	-	-
Total fund balances	587,522	40,972	40,992
Total liabilities, deferred inflows of resources, and fund balances	$ 673,635	$ 67,291	$ 40,992

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ 16,281	$ 419,863	$ 115,233	$ 166,129	$ 80,974	$ 1,549,480
-	-	-	260,770	-	260,770
-	-	9,278	3,255	-	42,439
-	-	-	-	-	1,012
16,281	419,863	124,511	430,154	80,974	1,853,701
903	14,907	947	38,110	-	74,112
-	10,013	-	20,348	-	61,158
-	-	-	-	-	-
-	-	-	11,260	-	59,718
903	24,920	947	69,718	-	194,988
-	-	-	3,735	-	16,655
-	-	-	-	-	1,012
-	-	-	3,735	-	17,667
-	-	-	356,701	-	356,701
15,378	-	-	-	-	97,342
-	394,943	-	-	-	394,943
-	-	123,564	-	-	123,564
-	-	-	-	80,974	668,496
15,378	394,943	123,564	356,701	80,974	1,641,046
$ 16,281	$ 419,863	$ 124,511	$ 430,154	$ 80,974	$ 1,853,701

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
REVENUES			
Sales tax	$ -	$ -	$ -
Licenses, permits and fees	568,329	-	2,795
Intergovernmental	-	107,227	-
Investment earnings	23	-	-
Miscellaneous	-	-	-
Total revenues	568,352	107,227	2,795
EXPENDITURES			
Current:			
General government:			
Finance	-	-	-
Public safety:			
Police	-	1,914	-
Fire	-	8,567	-
Community services:			
Streets and drainage	-	-	-
Parks and recreation	386,838	-	-
Capital outlay	-	-	-
Total expenditures	386,838	10,481	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	181,514	96,746	2,795
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(84,180)	-
Total other financing sources and uses	-	(84,180)	-
NET CHANGE IN FUND BALANCES	181,514	12,566	2,795
FUND BALANCES, BEGINNING	406,008	28,406	38,197
FUND BALANCES, ENDING	$ 587,522	$ 40,972	$ 40,992

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ -	$ -	$ -	$ 1,532,222	$ -	$ 1,532,222
2,326	517,494	38,629	42,080	851	1,172,504
-	-	-	-	-	107,227
-	119	-	60	47	249
-	-	-	1,000	-	1,000
2,326	517,613	38,629	1,575,362	898	2,813,202
8,946	-	3,835	-	-	12,781
-	-	-	-	-	1,914
-	-	-	-	-	8,567
-	460,519	-	-	-	460,519
-	-	-	495,856	-	882,694
-	16,049	29,890	-	-	45,939
8,946	476,568	33,725	495,856	-	1,412,414
(6,620)	41,045	4,904	1,079,506	898	1,400,788
-	36,000	-	-	-	36,000
-	(16,000)	-	(832,482)	-	(932,662)
-	20,000	-	(832,482)	-	(896,662)
(6,620)	61,045	4,904	247,024	898	504,126
21,998	333,898	118,660	109,677	80,076	1,136,920
$ 15,378	$ 394,943	$ 123,564	$ 356,701	$ 80,974	$ 1,641,046

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 2,046,737	$ 2,046,737	$ 2,050,057	$ 3,320
Investment earnings	5,000	5,000	201	(4,799)
Total revenues	2,051,737	2,051,737	2,050,258	(1,479)
EXPENDITURES				
Debt service:				
Principal	2,250,000	2,250,000	2,250,000	-
Interest and other charges	593,220	593,219	593,000	219
Total expenditures	2,843,220	2,843,219	2,843,000	219
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(791,483)	(791,482)	(792,742)	(1,260)
OTHER FINANCING SOURCES (USES)				
Transfers in	804,482	804,482	804,482	-
Total other financing sources and uses	804,482	804,482	804,482	-
NET CHANGE IN FUND BALANCE	12,999	13,000	11,740	(1,260)
FUND BALANCE, BEGINNING	126,236	126,236	126,236	-
FUND BALANCE, ENDING	$ 139,235	$ 139,236	$ 137,976	$(1,260)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CORPS LEASED PARKS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Licenses, permits and fees	$ 586,550	$ 586,550	$ 568,329	$(18,221)
Investment earnings	200	200	23	(177)
Total revenues	586,750	586,750	568,352	(18,398)
EXPENDITURES				
Parks and recreation:				
Personnel	182,245	202,245	190,529	11,716
Services and supplies	207,218	229,218	196,309	32,909
Total expenditures	389,463	431,463	386,838	44,625
NET CHANGE IN FUND BALANCE	197,287	155,287	181,514	26,227
FUND BALANCE, BEGINNING	406,008	406,008	406,008	-
FUND BALANCE, ENDING	$ 603,295	$ 561,295	$ 587,522	$ 26,227

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 26,070	$ 40,070	$ 107,227	$ 67,157
Total revenues	26,070	40,070	107,227	67,157
EXPENDITURES				
Public safety:				
Police:				
Services and supplies	3,600	8,600	1,914	6,686
Fire:				
Services and supplies	-	9,000	8,567	433
Total expenditures	3,600	17,600	10,481	7,119
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,470	22,470	96,746	74,276
OTHER FINANCING SOURCES (USES)				
Transfer out	(20,000)	(20,000)	(84,180)	(64,180)
Total other financing sources (uses)	(20,000)	(20,000)	(84,180)	(64,180)
NET CHANGE IN FUND BALANCE	2,470	2,470	12,566	10,096
FUND BALANCE, BEGINNING	28,406	28,406	28,406	-
FUND BALANCE, ENDING	$ 30,876	$ 30,876	$ 40,972	$ 10,096

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 2,750	$ 2,750	$ 2,795	$ 45
Total revenues	2,750	2,750	2,795	45
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	2,750	2,750	2,795	45
FUND BALANCE, BEGINNING	38,197	38,197	38,197	-
FUND BALANCE, ENDING	$ 40,947	$ 40,947	$ 40,992	$ 45

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 3,500	$ 3,500	$ 2,326	$(1,174)
Total revenues	3,500	3,500	2,326	(1,174)
EXPENDITURES				
General government:				
Services and supplies	12,525	12,525	8,946	3,579
Total expenditures	12,525	12,525	8,946	3,579
NET CHANGE IN FUND BALANCE	(9,025)	(9,025)	(6,620)	2,405
FUND BALANCE, BEGINNING	21,998	21,998	21,998	-
FUND BALANCE, ENDING	$ 12,973	$ 12,973	$ 15,378	$ 2,405

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY DRAINAGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 505,000	$ 505,000	$ 517,494	$ 12,494
Investment earnings	4,000	4,000	119	(3,881)
Total revenues	509,000	509,000	517,613	8,613
EXPENDITURES				
Street and drainage:				
Personnel	377,299	377,299	332,445	44,854
Services and supplies	138,385	138,385	128,074	10,311
Capital outlay	30,000	30,000	16,049	13,951
Total expenditures	545,684	545,684	476,568	69,116
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36,684)	(36,684)	41,045	77,729
OTHER FINANCING SOURCES (USES)				
Transfers in	36,000	36,000	36,000	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(16,684)	(16,684)	61,045	77,729
FUND BALANCE, BEGINNING	333,898	333,898	333,898	-
FUND BALANCE, ENDING	$ 317,214	$ 317,214	$ 394,943	$ 77,729

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
PEG fees	$ 42,772	$ 42,772	$ 38,629	$(4,143)
Total revenues	42,772	42,772	38,629	(4,143)
EXPENDITURES				
General government:				
Services and supplies	7,600	7,600	3,835	3,765
Capital outlay	21,000	31,000	29,890	1,110
Total expenditures	28,600	38,600	33,725	4,875
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,172	4,172	4,904	732
NET CHANGE IN FUND BALANCE	14,172	4,172	4,904	732
FUND BALANCE, BEGINNING	118,660	118,660	118,660	-
FUND BALANCE, ENDING	$ 132,832	$ 122,832	$ 123,564	$ 732

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales tax	$ 1,348,631	$ 1,348,631	$ 1,532,222	$ 183,591
Licenses, permits and fees	44,000	44,000	42,080	(1,920)
Investment earnings	800	800	60	(740)
Miscellaneous	-	-	1,000	1,000
Total revenues	1,393,431	1,393,431	1,575,362	181,931
EXPENDITURES				
Parks and recreation:				
Personnel	370,603	340,603	302,812	37,791
Services and supplies	208,614	248,614	193,044	55,570
Total expenditures	579,217	589,217	495,856	93,361
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	814,214	804,214	1,079,506	275,292
OTHER FINANCING SOURCES (USES)				
Transfer out	(832,482)	(832,482)	(832,482)	-
Total other financing sources (uses)	(832,482)	(832,482)	(832,482)	-
NET CHANGE IN FUND BALANCE	(18,268)	(28,268)	247,024	275,292
FUND BALANCE, BEGINNING	109,677	109,677	109,677	-
FUND BALANCE, ENDING	$ 91,409	$ 81,409	$ 356,701	$ 275,292

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Park development fees	$ -	$ -	$ 851	$ 851
Investment earnings	-	-	47	47
Total revenues	-	-	898	898
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	898	898
FUND BALANCE, BEGINNING	80,076	80,076	80,076	-
FUND BALANCE, ENDING	$ 80,076	$ 80,076	$ 80,974	$ 898

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENT FUNDS BY SOURCE

SEPTEMBER 30, 2021

GENERAL CAPITAL ASSETS	
Land	$ 17,183,848
Land improvements	25,975,728
Building and improvements	15,996,042
Equipment	10,559,545
Other capital assets	537,690
Infrastructure	44,603,102
Construction in progress	1,316,355
Total general capital assets	$ 116,172,310
INVESTMENT IN GENERAL CAPITAL ASSETS	
Investment in general capital assets acquired prior to October 1, 1990	$ 655,037
General fund	11,899,890
Vehicle replacement fund	670,674
Special revenue funds	23,784,347
Capital project funds	31,280,056
Donations	47,882,306
Total investment in general capital assets	$ 116,172,310

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2021

Department	Land	Land Improvements	Building Improvements
City Manager	$ 430,747	$ -	$ 265,915
Finance	26,651	-	412,718
Human Resources	8,812	-	113,185
City Secretary	41,479	-	511,673
Information services	-	-	-
Marketing and Communications		-	-
Police	214,495	93,641	2,765,228
Fire	41,800	19,796	4,445,595
Building Operations	8,927	-	142,993
Streets and Drainage	11,571,913	1,007,401	885,794
Maintenance	65,609	-	775,360
Drainage Operations	-	29,200	451,842
Parks and Recreation	4,773,415	24,825,690	5,225,739
Total general capital assets	$ 17,183,848	$ 25,975,728	$ 15,996,042

Equipment	Other Assets	Infrastructure	Construction in Progress	Total
$ 54,276	$ -	$ -	$ -	$ 750,938
489,717	141,029	-	-	1,070,115
-	13,388	-	-	135,385
-	18,447	-	-	571,599
393,791	-	-	-	393,791
29,890	-		-	29,890
2,221,823	347,369	-	-	5,642,556
3,514,030	-	-	-	8,021,221
53,340	-	-	-	205,260
1,264,368	-	43,879,235	106,873	58,715,584
180,489	-	-	-	1,021,458
906,954	-	435,645	-	1,823,641
1,450,867	17,457	288,222	1,209,482	37,790,872
$ 10,559,545	$ 537,690	$ 44,603,102	$ 1,316,355	$ 116,172,310

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Department	Balance September 30, 2020	Additions	Retirements / Transfers	Balance September 30, 2021
City manager	$ 750,938	$ -	$ -	$ 750,938
Finance	1,070,115	-	-	1,070,115
Human resources	135,385	-	-	135,385
City secretary	571,599	-	-	571,599
Information services	316,411	77,380	-	393,791
Marketing and communications	-	29,890	-	29,890
Police	5,562,633	79,923	-	5,642,556
Fire	8,021,221	-	-	8,021,221
Community services	205,260	-	-	205,260
Streets and drainage	57,708,325	1,007,259	-	58,715,584
Maintenance	1,021,458	-	-	1,021,458
Drainage operations	1,807,592	16,049	-	1,823,641
Parks and recreation	37,022,674	768,198	-	37,790,872
Total capital assets	$ 114,193,611	$ 1,978,699	$ -	$ 116,172,310

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Highland Village, Texas' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	77
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	87
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	92
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	99
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	101

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF HIGHLAND VILLAGE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2013	2014	2015
Governmental activities:				
Net investment in capital assets	$ 36,579,491	$ 38,572,424	$ 39,860,121	$ 40,160,271
Restricted:				
Debt service	259,678	77,964	100,918	62,822
Community development	1,073,212	592,076	533,841	968,043
Public safety	86,057	92,018	94,120	84,158
Utility drainage	283,352	171,166	161,368	165,456
Public broadcasting	10,738	6,291	17,420	30,276
Capital projects	-	-	-	-
Unrestricted	4,454,302	3,906,066	3,931,056	2,210,827
Total governmental activities net position	$ 42,746,830	$ 43,418,005	$ 44,698,844	# $ 43,681,853
Business-type activities:				
Net investment in capital assets	$ 6,393,534	$ 6,442,425	$ 6,325,308	$ 5,519,051
Restricted:				
Capital projects	1,110,634	850,597	854,369	859,804
Unrestricted	3,079,711	3,594,106	3,142,581	2,830,311
Total business-type activities net position	$ 10,583,879	$ 10,887,128	$ 10,322,258	# $ 9,209,166
Primary government:				
Net investment in capital assets	$ 42,973,025	$ 45,014,849	$ 46,185,429	# $ 45,679,332
Restricted:				
Debt service	259,678	77,964	100,918	62,822
Community Development	1,073,212	592,076	533,841	968,043
Public safety	86,057	92,018	94,120	84,158
Utility drainage	283,352	171,166	161,368	165,456
Public broadcasting	10,738	6,291	17,420	30,276
Capital projects	1,110,634	850,597	854,369	859,804
Unrestricted	7,534,013	7,500,172	7,073,637	5,041,138
Total primary government net position	$ 53,330,709	$ 54,305,133	$ 55,021,102	# $ 52,891,029

TABLE 1

Fiscal Year					
2016	2017	2018	2019	2020	2021
$ 40,067,568	$ 40,453,356	$ 40,191,697	$ 41,212,165	$ 40,526,620	$ 40,488,662
59,725	99,242	-	51,762	72,637	84,716
647,532	106,954	30,521	86,517	109,677	356,701
78,495	87,901	71,002	90,493	88,601	97,342
240,467	298,327	340,814	90,493	333,898	394,943
36,094	65,266	113,692	279,090	118,660	123,564
-	-	-	152,879	-	-
2,005,564	3,907,904	3,603,647	2,045,989	3,421,567	4,202,160
$ 43,135,445	$ 45,018,950	$ 44,351,373	$ 43,918,895	$ 44,671,660	$ 45,748,088
$ 6,738,242	$ 6,603,211	$ 6,875,079	$ 6,592,993	$ 6,637,826	$ 7,252,431
883,399	851,976	897,706	1,047,080	1,075,324	1,207,251
2,030,254	1,421,159	2,244,865	2,209,545	2,086,649	1,756,371
$ 9,651,895	$ 8,876,346	$ 10,017,650	$ 9,849,618	$ 9,799,799	$ 10,216,053
$ 46,805,810	# $ 47,056,567	# $ 47,066,776	$ 47,805,158	$ 47,164,446	$ 47,741,093
59,725	99,242	-	51,762	72,637	84,716
647,532	106,954	30,521	86,517	109,677	356,701
78,495	87,901	71,002	90,493	88,601	97,342
240,467	298,327	340,814	279,090	333,898	394,943
36,094	65,266	113,692	152,879	118,660	123,564
883,399	851,976	897,706	1,047,080	1,075,324	1,207,251
4,035,818	5,329,063	5,848,512	4,255,534	5,508,216	5,958,531
$ 52,787,340	$ 53,895,296	$ 54,369,023	$ 53,768,513	$ 54,471,459	$ 55,964,141

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2013	2014	2015
EXPENSES				
Governmental activities:				
General government	$ 3,866,847	$ 4,012,367	$ 4,089,989	$ 4,330,662
Public safety	6,172,127	6,220,099	6,361,961	6,848,781
Building operations	366,097	-	-	-
Community services	-	386,807	389,300	415,562
Streets and drainage	2,436,763	2,554,759	3,157,921	2,546,268
Parks and recreation	3,012,260	3,059,741	3,199,066	3,199,678
Interest on long-term debt	786,492	766,603	887,123	836,051
Total governmental activities expenses	16,640,586	17,000,376	18,085,360	18,177,002
Business-type activities:				
Water and wastewater	9,674,321	7,782,455	8,530,306	8,525,158
Total business-type activities expenses	9,674,321	7,782,455	8,530,306	8,525,158
Total primary government program expenses	$ 26,314,907	$ 24,782,831	$ 26,615,666	$ 26,702,160
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 270,446	$ 346,896	$ 349,821	$ 331,895
Public safety	244,070	234,931	291,234	285,879
Building operations	287,245	-	-	-
Community services	-	326,450	424,368	388,580
Streets and drainage	404,726	399,727	469,914	474,492
Parks and recreation	502,356	408,598	474,319	474,514
Operating grants and contributions	223,526	79,277	44,048	32,377
Capital grants and contributions	202,669	1,541,554	1,731,955	1,353,726
Total governmental activities program revenues	2,135,038	3,337,433	3,785,659	3,341,463
Business-type activities:				
Charges for services:				
Water and wastewater	8,751,077	8,486,005	8,101,643	7,888,614
Capital grants and contributions	145,701	79,560	148,467	104,191
Total business-type activities program revenues	8,896,778	8,565,565	8,250,110	7,992,805
Total primary government program revenues	$ 11,031,816	$ 11,902,998	$ 12,035,769	$ 11,334,268

TABLE 2

Fiscal Year					
2016	2017	2018	2019	2020	2021
$ 4,392,360	$ 4,654,057	$ 5,648,223	$ 5,442,819	$ 5,312,238	$ 5,532,530
7,782,368	7,850,784	7,915,283	8,591,670	8,772,628	8,432,376
-	-	-	-	-	-
446,470	495,494	499,071	469,914	498,662	467,764
2,826,584	2,953,293	2,956,194	3,139,410	2,857,021	3,046,868
3,534,661	3,740,883	4,099,709	4,520,227	4,939,557	4,577,551
699,315	605,867	719,953	694,525	641,904	586,607
19,681,758	20,300,378	21,838,433	22,858,656	23,022,010	22,643,696
8,500,825	8,698,522	9,195,566	9,226,804	9,247,141	9,880,513
8,500,825	8,698,522	9,195,566	9,226,804	9,247,141	9,880,513
$ 28,182,583	$ 28,998,900	$ 31,033,999	$ 32,085,369	$ 32,269,151	$ 32,524,209
$ 283,062	$ 294,421	$ 300,258	$ 375,503	$ 281,485	$ 254,697
429,534	527,165	539,212	564,324	572,373	550,275
-	-	-	-	-	-
524,273	770,577	468,954	405,907	319,158	374,704
517,450	495,438	503,839	501,797	508,950	517,494
654,906	724,620	818,946	775,852	900,259	742,041
44,839	126,776	92,883	34,894	959,705	113,234
221,974	235,846	65,314	125,493	141,007	776,828
2,676,038	3,174,843	2,789,406	2,783,770	3,682,937	3,329,273
8,011,036	8,224,755	10,036,132	9,112,051	9,439,260	9,552,361
911,608	141,554	686,042	273,105	164,859	1,199,342
8,922,644	8,366,309	10,722,174	9,385,156	9,604,119	10,751,703
$ 11,598,682	$ 11,541,152	$ 13,511,580	$ 12,168,926	$ 13,287,056	$ 14,080,976

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2013	2014	2015
NET (EXPENSE) REVENUES				
Governmental activities	$(14,505,548)	$(13,700,224)	$(14,299,701)	$(14,835,539)
Business-type activities	(777,543)	766,821	(280,196)	(532,353)
Total primary government net expense	(15,283,091)	(12,933,403)	(14,579,897)	(15,367,892)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property	9,397,945	9,336,875	9,726,985	10,220,940
Franchise	1,582,402	1,640,398	1,720,762	1,722,995
Sales	3,252,413	3,304,660	3,613,216	3,690,787
Unrestricted investment earnings	32,737	38,059	33,308	36,026
Gain on sale of assets	27,485	-	-	-
Miscellaneous	89,030	199,282	186,269	122,009
Transfers	300,000	300,000	300,000	300,000
Total governmental activities	14,682,012	14,819,274	15,580,540	16,092,757
Business-type activities:				
Unrestricted investment earnings	24,345	12,142	15,326	17,104
Transfers	(300,000)	(300,000)	(300,000)	(300,000)
Total business-type activities	(275,655)	(287,858)	(284,674)	(282,896)
Total primary government	14,406,357	14,531,416	15,295,866	15,809,861
CHANGE IN NET POSITION				
Governmental activities	176,464	1,119,050	1,280,839	1,257,218
Business-type activities	(1,053,198)	478,963	(564,870)	(815,249)
Total primary government	$(876,734)	$ 1,598,013	$ 715,969	$ 441,969

TABLE 2

Fiscal Year					
2016	2017	2018	2019	2020	2021
$(17,005,720)	$(17,125,535)	$(19,049,027)	$(20,074,795)	$(19,339,073)	$(19,314,423)
421,819	(332,213)	1,526,608	158,352	356,978	871,190
(16,583,901)	(17,457,748)	(17,522,419)	19,916,443	(18,982,095)	(18,443,233)
10,876,727	11,601,454	12,126,314	12,697,424	13,332,678	13,552,545
1,658,700	1,626,903	1,699,608	1,585,246	1,522,345	1,513,527
3,786,900	3,830,637	3,915,696	4,285,659	4,258,100	4,732,971
54,786	81,049	269,069	410,525	205,714	38,718
-	-	-	-	-	-
83,908	1,398,997	153,919	193,463	303,001	83,090
(1,709)	470,000	470,000	470,000	470,000	470,000
16,459,312	19,009,040	18,634,606	19,642,317	20,091,838	20,390,851
19,201	26,664	84,696	143,616	63,203	15,064
1,709	(470,000)	(470,000)	(470,000)	(470,000)	(470,000)
20,910	(443,336)	(385,304)	(326,384)	(406,797)	(454,936)
16,480,222	18,565,704	18,249,302	19,315,933	19,685,041	19,935,915
(546,408)	1,883,505	(414,421)	(432,478)	752,765	1,076,428
442,729	(775,549)	1,141,304	(168,032)	(49,819)	416,254
$(103,679)	$ 1,107,956	$ 726,883	$(600,510)	$ 702,946	$ 1,492,682

CITY OF HIGHLAND VILLAGE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2013	2014	2015
General Fund				
Nonspendable - prepaid items	$ 772	$ 7,319	$ 1,176	$ 449
Assigned	-	151,582	185,104	865,468
Unassigned	4,539,271	4,442,650	4,357,319	4,207,414
Total general fund	$ 4,540,043	$ 4,601,551	$ 4,543,599	$ 5,073,331
All other governmental funds				
Nonspendable - prepaid items	$ -	$ -	$ -	$ -
Restricted, for the purpose of:				
Debt service	354,029	160,157	168,040	154,343
Community development	2,350,393	1,820,252	8,056,884	2,349,085
Public safety	86,057	92,018	94,120	84,158
Utility drainage	283,352	171,166	161,368	165,456
Capital projects	3,104,486	785,227	641,828	392,061
Public Broadcasting	10,738	6,291	17,420	30,276
Committed - parks	167,766	86,178	106,705	120,422
Total all other governmental funds	$ 6,356,821	$ 3,121,289	$ 9,246,365	$ 3,295,801

TABLE 3

Fiscal Year					
2016	2017	2018	2019	2020	2021
$ 251,748	$ 1,250	$ 99,008	$ 273,288	$ 75,193	$ 60,030
1,270,558	2,142,128	2,011,564	1,829,514	2,042,788	2,031,671
3,933,919	5,248,582	5,440,353	4,552,543	5,834,619	6,177,286
$ 5,456,225	$ 7,391,960	$ 7,550,925	$ 6,655,345	$ 7,952,600	$ 8,268,987
$ -	$ -	$ -	$ 26,205	$ -	$ -
141,058	161,180	159,489	118,266	$ 126,236	$ 137,976
751,846	106,954	30,521	86,517	109,677	356,701
78,495	87,901	71,002	90,493	88,601	97,342
240,467	298,327	340,814	279,090	333,898	394,943
438,834	45,662	6,865,552	5,313,584	3,222,762	2,384,916
36,094	65,266	113,692	152,879	118,660	123,564
262,224	501,093	263,469	271,466	486,084	668,496
$ 1,949,018	$ 1,266,383	$ 7,844,539	$ 6,338,500	$ 4,485,918	$ 4,163,938

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2013	2014	2015
REVENUES				
Taxes	$ 14,234,807	$ 14,271,269	$ 15,066,221	$ 15,625,989
Fines and forfeitures	123,635	170,442	158,183	124,932
Licenses, permits, fees	1,372,677	1,414,988	1,600,992	1,565,929
Intergovernmental	353,433	1,620,831	1,651,123	1,435,235
Charges for services	201,896	206,460	252,168	253,851
Investment earnings	16,795	54,003	33,308	36,026
Miscellaneous	117,514	199,282	186,269	122,009
Total revenues	16,420,757	17,937,275	18,948,264	18,948,264
EXPENDITURES				
General government	3,676,079	3,821,447	3,862,314	4,137,117
Public safety	5,570,980	5,563,505	5,726,860	6,212,042
Building operations	352,156	-	-	-
Community service	-	373,690	378,626	401,541
Streets and drainage	1,208,138	1,359,195	1,936,985	1,352,770
Parks and recreation	2,313,973	2,354,526	2,415,834	2,378,196
Debt service:				
Principal	1,765,000	1,735,000	1,815,000	1,955,000
Interest and other	824,359	794,461	888,597	863,286
Capital outlay	1,336,567	5,409,475	3,223,116	8,218,357
Total expenditures	17,047,252	21,411,299	20,247,332	25,518,309
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(626,495)	$(3,474,024)	$(1,299,068)	$(6,354,338)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	2,795,000	-	7,020,000	-
Proceeds from capital leases	-	-	-	633,506
Premium on debt issuance	124,049	-	46,192	-
Proceeds from sale capital assets	-	-	-	-
Payments to escrow account	-	-	-	-
Transfers in	1,198,962	1,268,715	1,235,142	1,283,905
Transfers out	(898,962)	(968,715)	(935,142)	(983,905)
Total other financing sources (uses)	3,219,049	300,000	7,366,192	933,506
NET CHANGE IN FUND BALANCES	$ 2,592,554	$(3,174,024)	$ 6,067,124	$(5,420,832)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	16.5%	15.8%	15.9%	16.6%

TABLE 4

Fiscal Year					
2016	2017	2018	2019	2020	2021
$ 16,308,934	$ 17,060,166	$ 17,714,340	$ 18,557,768	$ 19,066,421	$ 19,848,434
99,082	98,699	109,420	106,281	88,543	76,646
1,916,752	2,219,095	2,027,847	1,951,587	1,960,801	1,858,505
310,519	387,946	139,430	185,872	1,100,712	184,451
391,627	485,553	493,590	539,265	523,347	510,796
54,786	81,049	269,069	410,525	205,714	38,718
114,448	1,398,997	153,919	193,463	303,001	83,090
19,196,148	21,731,505	20,907,615	21,944,761	23,248,539	22,600,640
4,135,129	4,337,308	5,456,729	5,089,032	5,175,479	5,495,620
6,952,405	6,890,116	7,181,646	7,560,441	7,910,089	7,999,469
-	-	-	-	-	-
430,163	455,266	481,472	435,063	494,206	469,944
1,589,676	1,695,038	1,739,093	1,880,112	1,617,077	1,771,475
2,626,904	2,558,767	2,831,487	3,146,751	3,514,488	3,222,625
2,176,616	2,263,592	2,118,875	2,060,203	2,200,000	2,250,000
716,472	650,698	602,713	806,576	648,114	593,000
3,868,574	2,127,620	1,307,067	3,838,232	2,794,537	1,274,100
22,495,939	20,978,405	21,719,082	24,816,380	24,353,990	23,076,233
$(3,299,791)	$ 753,100	$(811,467)	(2,871,619)	$(1,105,451)	$(475,593)
9,235,000	2,435,000	6,905,000	-	-	-
250,780	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	80,124	-
(7,619,878)	(2,405,000)	173,588	-	-	-
2,290,168	2,005,329	1,462,380	1,418,615	1,732,905	1,438,662
(1,820,168)	(1,535,329)	(992,380)	(948,615)	(1,262,905)	(968,662)
2,335,902	500,000	7,548,588	-	550,124	470,000
$(963,889)	$ 1,253,100	$ 6,737,121	$(2,401,619)	$(555,327)	$(5,593)
15.6%	15.1%	13.3%	13.7%	13.2%	13.0%

CITY OF HIGHLAND VILLAGE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	Less: Tax-exempt Property
	Residential Property	Commercial Property		
2012	$ 1,416,483,461	$ 252,976,165	$ 59,119,095	$ 80,495,062
2013	1,411,883,987	254,483,493	58,492,381	89,119,649
2014	1,461,181,835	263,597,977	60,771,959	90,906,933
2015	1,564,231,925	278,425,113	60,243,887	105,428,441
2016	1,649,565,971	313,545,655	64,490,237	106,266,234
2017	1,760,795,273	312,423,960	63,604,815	120,818,328
2018	1,890,908,720	343,451,978	64,741,269	162,929,317
2019	1,999,631,975	355,044,705	57,843,048	157,124,400
2020	2,073,752,984	385,732,416	63,879,965	165,516,748
2021	2,142,438,774	386,823,420	67,379,496	169,090,538

Source: Denton County Appraisal District

Note: Estimated total levy is calculated by multiplying the net taxable assessed value by the total direct tax rate per $100 of net taxable assessed value.

Residential: single family, vacant lots, acreage, and farm/ranch and personal.

Commercial: real commercial, personal industrial and utilities.

	Net Taxable Assessed Value	Total Direct Tax Rate		Estimated Total Levy
$	1,648,083,659	0.56963	$	9,387,979
	1,635,740,212	0.56963		9,317,667
	1,694,644,838	0.56963		9,653,205
	1,797,472,484	0.56963		10,238,943
	1,921,335,629	0.56963		10,944,504
	2,016,005,720	0.56963		11,483,773
	2,136,172,650	0.56802		12,133,888
	2,255,395,328	0.56302		12,698,327
	2,357,848,617	0.56302		13,275,159
	2,427,551,152	0.56302		13,667,598

TABLE 6

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	Debt Service Rate	Total Direct Rate	Lewisville Independent School District	Denton County
2012	0.45855	0.11108	0.56963	1.42600	0.27736
2013	0.46983	0.09980	0.56963	1.45300	0.28287
2014	0.46129	0.10834	0.56963	1.47700	0.28491
2015	0.46999	0.09964	0.56963	1.47700	0.27220
2016	0.47817	0.09146	0.56963	1.47673	0.26220
2017	0.48279	0.08684	0.56963	1.42000	0.24840
2018	0.49706	0.07096	0.56802	1.40750	0.23781
2019	0.47979	0.08323	0.56302	1.40750	0.22557
2020	0.47649	0.08653	0.56302	1.33750	0.22528
2021	0.47813	0.08489	0.56302	1.34730	0.22499

Source: Denton County Tax Collector's Office
Lewisville Independent School District Budget Office

Note: A typical property tax bill would consist of the City, School District and County taxes.

TABLE 7

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2021 Taxable Assessed Value	2021 Percentage of Total City Taxable Assessed Value*	2012 Taxable Assessed Value	2012 Percentage of Total City Taxable Assessed Value**
MP Shops at Highland Village, LLC	$ 79,500,000	3.275%	$ -	-
DDR Highland Village, LP	43,500,000	1.792%	-	-
HHSG, LLC	38,279,563	1.577%	-	-
Wal-Mart Stores Texas, LP	16,900,000	0.696%	-	-
PS LPT Property Investors	13,500,000	0.556%	-	-
Centro NP Holdings 12 SPE, LLC	11,777,710	0.485%	-	-
ADV Highland Village Property Owner, LLC	11,147,232	0.459%	-	-
Barnett Healthcare Prop, LLC	8,719,750	0.359%	-	-
CoServ Elecrtric Co-Op	7,157,880	0.295%	-	-
Wagtail Partners LP	5,685,000	0.234%	-	-
Shops at Highland Village Dev., LTD	-	-	60,000,000	3.641%
Opus Real Estate TX VII HV, LP	-	-	30,924,485	1.876%
Wal-Mart Stores Texas, LP	-	-	18,000,000	1.092%
Wal-Mart Stores Texas, LP	-	-	8,930,453	0.542%
HHSG, LLC	-	-	8,857,809	0.537%
Centro NP Holdings 12 SPE, LLC	-	-	8,610,324	0.522%
Barnett Healthcare Prop, LLC	-	-	6,739,918	0.409%
CoServ Elecrtric Co-Op	-	-	4,787,520	0.290%
HSM Highland Point S/C. LTD	-	-	4,608,179	0.280%
Cutting, Joan L Trustee	-	-	4,452,712	0.270%
Total	$ 236,167,135	9.729%	$ 155,911,400	9.460%

Source: Denton county Appraisal District

Notes:

* Total taxable value including real and personal property for tax year 2020 (fiscal year 2021) is $2,427,551,142

** Total taxable value including real and personal property for tax year 2011 (fiscal year 2012) is $1,648,083,659

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TABLE 8

CITY OF HIGHLAND VILLAGE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	$ 9,378,644	$ 9,362,729	99.83%	$ 14,661	$ 9,377,390	99.99%
2013	9,315,832	9,293,267	99.76%	20,623	9,313,890	99.98%
2014	9,697,513	9,672,999	99.75%	22,001	9,695,000	99.97%
2015	10,201,729	10,176,515	99.75%	18,751	10,195,266	99.94%
2016	10,853,080	10,824,025	99.73%	23,634	10,847,659	99.95%
2017	11,572,279	11,546,650	99.78%	19,273	11,565,923	99.95%
2018	12,140,133	12,099,984	99.67%	32,978	12,132,962	99.94%
2019	12,691,161	12,640,013	99.60%	38,265	12,678,278	99.90%
2020	13,298,601	13,216,040	99.38%	48,038	13,264,078	99.74%
2021	13,513,137	13,460,984	99.61%	-	13,460,984	99.61%

Sources: Denton County appraisal District and Denton County Tax office.

Notes: Tax levy includes adjustments and supplements made to the property roll during the fiscal year. Delinquent collections do not include penalty and interest.

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Tax Note
2012	$ 13,024,524	$ 9,237,414	$ -	$ -
2013	11,865,589	8,644,049	-	-
2014	10,880,294	15,080,339	-	-
2015	9,768,359	14,319,664	503,506	-
2016	9,547,809	12,683,991	632,670	1,535,000
2017	10,789,888	9,511,276	384,078	1,420,000
2018	16,395,133	9,354,426	130,202	1,145,000
2019	15,208,189	8,852,574	-	865,000
2020	13,771,244	8,335,723	-	580,000
2021	12,299,301	7,808,871	-	290,000

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities						
General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Total Primary Government	Percentage of Personal Income*	Per Capita*
$ 5,339,572	$ 5,262,868	$ -	$ 32,864,378	4.97%	$ 2,106
4,771,815	5,030,763	-	30,312,216	4.47%	1,979
4,373,046	9,345,362	-	39,679,041	5.31%	2,572
3,726,715	9,097,385	-	37,415,629	4.77%	2,351
3,070,385	8,839,408	-	36,309,263	4.50%	2,290
6,451,947	4,554,089	-	33,111,278	3.87%	2,068
5,854,297	7,160,379	-	40,039,437	4.54%	2,487
5,140,647	6,933,977	-	37,000,387	3.99%	2,237
4,603,996	6,647,575	-	33,938,538	3.46%	2,036
3,961,346	6,346,172	-	30,705,690	3.16%	1,860

TABLE 10

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding					Percentage of Net Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation Bonds	General Bonded Debt Outstanding	Less Debt Service Resources Available	Net General Bonded Debt Outstanding		
2012	$ 18,364,096	$ 14,500,282	$ 32,864,378	$ 354,029	$ 32,510,349	1.97%	2,084
2013	16,637,404	13,674,812	30,312,216	160,157	30,152,059	1.84%	1,969
2014	15,253,340	24,425,701	39,679,041	168,040	39,511,001	2.33%	2,561
2015	13,495,074	23,417,049	36,912,123	154,343	36,757,780	2.04%	2,310
2016	12,618,194	21,523,399	34,141,593	59,725	34,081,868	1.77%	2,149
2017	17,241,835	14,065,365	31,307,200	99,242	31,207,958	1.55%	1,949
2018	22,249,430	16,514,805	38,764,235	-	38,764,235	1.81%	2,408
2019	20,348,836	15,786,551	36,135,387	51,762	36,083,625	1.60%	2,182
2020	18,375,240	14,983,298	33,358,538	72,637	33,285,901	1.41%	1,997
2021	16,260,647	14,155,043	30,415,690	84,716	30,330,974	1.25%	1,838

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

See Table 14 for population data.

TABLE 11

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2021

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
County of Denton	$ 571,605,000	1.900%	$ 10,860,495
Lewisville Independent School District	1,315,387,363	4.990%	65,637,829
Subtotal overlapping debt			76,498,324
City of Highland Village (direct debt)	20,398,172	100.0%	20,398,172
Total direct and overlapping debt			$ 96,896,496

Sources: Assessed value data used to estimate applicable percentages provided by the Denton County Appraisal District. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Highland Village, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF HIGHLAND VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2013	2014	2015
Debt limit	$ 41,202,091	$ 40,893,505	$ 42,366,121	$ 44,936,812
Total net debt applicable to limit	2,262,042	2,369,304	2,478,463	2,842,629
Legal debt margin	$ 38,940,049	$ 38,524,201	$ 39,887,658	$ 42,094,183
Total net debt applicable to the limit as a percentage of debt limit.	5.49%	5.79%	5.85%	6.33%

Note:

According to The State of Texas Constitution, Article 11, Section 5, provides in part that, "…no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such city." As a home rule city, the City of Highland Village is not limited in the amount of debt it may issue.

TABLE 12

Assessed value	$ 2,427,551,152
Debt limit ($2.50 per $100 of assessed value)	60,688,779
Debt applicable to limit:	
Tax supported debt	2,840,068
Less: Amount set aside for repayment of general obligation debt	(84,716)
Total net debt applicable to limit	2,755,352
Legal debt margin	$ 57,933,427

Fiscal Year					
2016	2017	2018	2019	2020	2021
$ 48,033,391	$ 50,400,143	$ 53,404,316	$ 56,384,883	$ 60,688,779	$ 60,688,779
2,495,691	2,524,780	2,386,534	2,679,188	2,755,352	2,755,352
$ 45,537,700	$ 47,875,363	$ 51,017,782	$ 53,705,695	$ 57,933,427	$ 57,933,427
5.20%	5.01%	4.47%	4.75%	4.54%	4.54%

TABLE 13

CITY OF HIGHLAND VILLAGE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water and Wastewater System Revenue Bonds						
		Less:	Net	Debt Service			
Fiscal Year	Total Revenues	Operating Expenses	Available Revenue	Principal	Interest	Total	Coverage
2012	$ 8,775,422	$ 8,517,784	$ 257,638	$ 995,000	$ 348,478	$ 1,343,478	0.19
2013	8,498,147	6,642,770	1,855,377	800,000	347,277	1,147,277	1.62
2014	8,116,969	7,284,308	832,661	840,000	398,349	1,238,349	0.67
2015	7,905,718	7,266,680	639,038	860,000	424,163	1,284,163	0.50
2016	8,030,237	7,271,123	759,114	880,000	402,788	1,282,788	0.59
2017	8,251,419	7,503,415	748,004	905,000	332,284	1,237,284	0.60
2018	10,120,828	8,020,025	2,100,803	790,000	286,878	1,076,878	1.95
2019	9,255,667	7,154,348	2,101,319	815,000	401,814	1,216,814	1.73
2020	9,502,463	7,271,982	2,230,481	890,000	336,414	1,226,414	1.82
2021	9,567,425	8,709,583	857,842	915,000	313,139	1,228,139	0.70

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues do not include capital contributions. Operating expenses do not include interest, depreciation, or amortization expenses.

TABLE 14

CITY OF HIGHLAND VILLAGE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2012	15,602	$ 661,072,342	$ 42,371	5.6%
2013	15,315	677,964,420	44,268	5.4%
2014	15,429	747,797,343	48,467	4.2%
2015	15,915	784,959,630	49,322	3.4%
2016	15,859	807,096,228	50,892	3.6%
2017	16,012	855,857,412	53,451	3.1%
2018	16,100	881,539,400	54,754	3.1%
2019	16,537	926,369,666	56,018	2.8%
2020	16,668	980,511,768	58,826	6.6%
2021	16,504	970,864,304	58,826	3.9%

Source: U. S. Census Bureau
Texas Workforce Commission
Bureau of Economic Analysis

Note: Population estimates are based on residential sewer connections.

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2021	2012
Employer	Employees	Employees
ExcelWipe, LLC	250-499	-
City of Highland Village	100-249	100-249
Lewisville Independent School District	100-249	100-249
Walmart Supercenter	100-249	-
WFM Coffee Bar	100-249	-
Whole Foods Stores	100-249	-
AMC Highland Village 12	50-99	-
Excite Gymnastics & Cheer	50-99	20-49
Home Instead Senior Care	50-99	-
Re/Max Cross County	50-99	-
Rosa's Café & Tortilla Factory	50-99	-
TJ Maxx	50-99	-
Personal Neighbor Care, LLC	-	50-99
Himesh Kana, DDS PLLC	-	20-49
John R. Ross Company, Inc.	-	20-49
Loubel, Inc.	-	20-49
Marla R. Conger, MD PA	-	20-49
Massage Life Center, LLC	-	20-49
Prime Kids, LLC	-	20-49
Salerno Pizza Co	-	20-49

Source: Texas Workforce Commission

Note: The source of data is legally prevented from obtaining and disclosing the number of employees of specific employers. Accordingly, the number of employees are displayed within a range.

TABLE 16

CITY OF HIGHLAND VILLAGE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
City manager	2	2	2	2	2	2	2	2	2	2
Finance	12	13	13	11	11	10	10	10	11	8
Human resources	3	3	3	3	3	3	3	3	3	3
City secretary	2	2	2	2	2	2	2	2	1	2
Information Services	-	-	4	4	6	7	7	7	7	7
Marketing and communications	-	-	-	-	-	-	-	-	-	3
City Attorney	1	-	-	-	-	-	-	-	-	-
Maintenance	4	4	4	4	4	4	4	4	4	4
Public safety										
Police	38	39	41	44	46	45	45	46	46	46
Fire	18	18	18	19	22	22	22	22	22	22
Community services	5	5	5	5	5	4	4	4	5	4
Streets and drainage	16	15	15	15	14	15	15	15	14	15
Parks and recreation	16	17	17	17	17	17	17	18	18	18
Water and wastewater	18	18	18	18	19	19	19	19	19	19
Highland Village Community Development Corporation	2	2	2	3	3	3	4	4	4	4
Total	137	138	144	147	154	153	154	156	156	157

Source:

Notes: A fulltime employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2012	2013	2014
General government			
Open records requests processed	184	220	240
Court cases filed	1,220	2,284	1,962
Employee turnover (%)	16.00%	11.70%	10.70%
Emp safety lost time injuries	-	1	2
Technical support tickets closed			
Community Service			
Permits issued	1,386	1,424	1,466
Inspections performed	2,928	2,923	2,889
Police			
Reported offenses	273	227	262
Arrests	232	255	271
Service	6,324	5,884	4,928
Close patrols	10,249	7,174	12,492
Traffic citations issued	1,305	2,119	2,221
Traffic warnings issued	2,010	2,622	3,008
Motor vehicle accidents	189	194	204
Animal impounds	221	*	230
Animal care calls	4,656	*	1,554
Animal registrations	873	*	907
Fire			
EMS calls	525	568	591
Fires calls	549	350	457
Streets and Drainage			
Drainage materials (ft.)	34,021	*	*
Asphalt (tons)	1,148	316	157
Concrete(yards)	4,216	406	197
Cold patch (lbs)	53	600	900
Crack seal (lbs)	-	-	-
Paint (gal)	89	140	156
Sod replacement (yards)	-	329	250
Saw cuttings (ft.)	16,568	11,996	28,334
Spoils (yards)	3,605	3,402	404
Sign Repairs (hours)	159	196	98
Work orders completed (Maintenance)	264	1,860	1,903
Total fuel consumption	58,692	59,415	60,448
Parks and recreation			
Acres of turf mowed	*	11,448	4,931
Parks turf maintenance (hours)			
Park maintenance (hours)	5,126	6,525	*
Bags of trash disposed (55 gal)	*	7,200	6,160
Trash removal (hours)	1,253	2,816	*
Recreation/Special Events Participation	19,798	20,894	22,608
Water			
New connections	59	15	16
Field operations work orders completed	14,822	16,687	9,815
Peak daily consumption	8,099,400	6,780,300	6,929,900
Maximum daily capacity-water production	6.93MGD	7.20MGD	7.20MGD
Number of gallons pumped	1,094,066,900	1,162,636,600	1,044,346,300
Number of gallons sold	1,070,560,100	1,152,288,922	934,653,200
Wastewater			
Wastewater work orders completed	1,620	1,123	4,156
Wastewater gallons pumped	446,910,000	374,111,518	381,156,000

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

Fiscal Year				
2015	2016	2017	2018	2019
224	281	288	277	319
1,524	1,782	1,518	1,547	1,528
7.50%	11.70%	9.00%	7.10%	9.60%
-	-	-	1	-
1,046	807	774	747	829
1,343	1,336	4,533	2,758	1,563
2,946	2,633	4,949	4,313	3,608
306	452	609	565	518
281	267	325	272	304
5,164	6,617	6,962	6,221	6,520
8,259	6,957	7,193	13,729	15,202
1,716	1,352	1,129	1,128	1,280
2,841	2,337	3,010	3,217	3,989
162	239	257	261	260
172	243	220	187	227
687	1,413	1,410	1,252	1,489
690	865	676	620	571
601	602	685	682	745
493	526	610	587	624
*	*	*	*	*
426	716	301	227	640
270	204	213	622	136
3,575	4,800	30,000	25,000	51,720
125	200	18,000	14,406	9,000
20	30	15	56	92
25	15	86	261	100
17,832	14,952	12,336	16,957	15,520
961	828	966	124	807
48	107	42	80	110
1,837	1,818	1,821	1,809	1,813
55,897	59,198	60,000	57,000	61,000
*	*	*	*	*
	6,525	6,525	6,525	9,267
24,012	23,899	23,950	23,950	22,067
8,260	*	*	*	*
2,816	2,816	2,920	2,920	2,086
20,288	19,051	29,603	29,003	25,560
17	37	26	13	16
10,675	10,815	10,064	9,370	10,544
7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
7.20MGD	7.20MGD	7.2MGD	7.2MGD	7.2MGD
1,056,000,000	991,177,900	928,836,200	995,892,200	813,644,189
1,008,000,000	931,105,700	888,844,700	1,017,767,600	765,360,700
4,867	4,740	4,378	4,785	4,803
604,500,000	572,924,000	425,469,000	411,460,879	447,811,593

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TABLE 17

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2020	2021
General government		
Open records requests processed	414	671
Court cases filed	1,072	691
Employee turnover (%)	14.00%	11.50%
Emp safety lost time injuries	-	1
Technical support tickets closed	854	936
Community Service		
Permits issued	1,273	1,784
Inspections performed	3,878	3,174
Police		
Reported offenses	506	551
Arrests	173	160
Service	6,141	5,988
Close patrols	15,530	13,027
Traffic citations issued	780	838
Traffic warnings issued	2,019	1,627
Motor vehicle accidents	211	246
Animal impounds	114	139
Animal care calls	1,160	951
Animal registrations	481	-
Fire		
EMS calls	758	820
Fires calls	525	748
Streets and Drainage		
Drainage materials (ft.)	*	*
Asphalt (tons)	582	255
Concrete(yards)	815	464
Cold patch (lbs)	63,000	41,000
Crack seal (lbs)	11,250	20,254
Paint (gal)	138	68
Sod replacement (yards)	394	13
Saw cuttings (ft.)	14,967	10,271
Spoils (yards)	575	378
Sign Repairs (hours)	52	32
Work orders completed (Maintenance)	1,816	1,810
Total fuel consumption	60,600	63,600
Parks and recreation		
Acres of turf mowed	*	*
Parks turf maintenance (hours)	8,168	2,684
Park maintenance (hours)	21,206	24,133
Bags of trash disposed (55 gal)	*	*
Trash removal (hours)	1,843	1,713
Recreation/Special Events Participation	3,916	14,666
Water		
New connections	35	38
Field operations work orders completed	15,419	15,813
Peak daily consumption	7,500,000	7,500,000
Maximum daily capacity-water production	7.2MGD	7.2MGD
Number of gallons pumped	982,601,900	982,151,700
Number of gallons sold	957,911,500	891,998,300
Wastewater		
Wastewater work orders completed	4,957	1,170
Wastewater gallons pumped	495,967,000	466,988,000

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2012	2013	2014	2015
General Government				
City area (in miles)	6.38	6.38	6.38	6.38
Police				
Stations	1	1	1	1
Fire				
Stations	1	1	1	1
Streets and Drainage				
Streets (miles)	200.0	200.0	200.0	200.0
Traffic signals	3	3	3	3
Parks and recreation				
Acres of parks	318	318	318	318
Trail system (linear miles)	7.1	10.0	11.7	11.7
Water				
Number of meters in service	5,416	5,422	5,439	5,456
Water mains (in miles)	100	100	98	99
Fire hydrants	766	770	780	780
Wastewater				
Storm sewers (miles)	23	24	24	25
Sanitary sewers (miles)	98	98	98	98
Sewer connections	5,212	5,218	5,235	5,253

Source: Various City departments

Fiscal Year					
2016	2017	2018	2019	2020	2021
6.38	6.38	6.38	6.38	6.38	6.38
1	1	1	1	1	1
1	1	1	1	1	1
200.03	200.03	200.03	200.03	200.03	200.03
318	318.2	393	393	393	393
12.7	12.7	12.7	12.7	12.7	12.7
5,483	5,521	5,536	5,523	5,579	5,692
100	100	102	102	103	104
811	815	825	825	821	823
25	25	25	25	26	27
99	99	100	100	101	102
5,276	5,307	5,325	5,389	5,436	5,614

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COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members
of the City Council and Citizens
City of Highland Village, Texas

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA GAQC Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 21, 2022